Dior Loveridge
ASX Limited
29 Martin Place
Sydney NSW 2000
Australia

13 September 2026

Dear Ms Loveridge,

Subject: ICGN response to the ASX Corporate Governance Principles and Recommendations, Draft 5th Edition Consultation Paper

The International Corporate Governance Network (ICGN) appreciates the opportunity to respond to ASX's consultation on the draft 5th edition of the ASX Corporate Governance Principles and Recommendations (the Principles).

Led by investors responsible for assets under management of over US$100 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our global membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

Australia is regarded by many capital market participants around the world as a jurisdiction with high standards of corporate governance and investor stewardship. We welcome ASX's continued development of the Principles and the work of the Advisory Group on Corporate Governance in preparing this draft.

ICGN responded to the former ASX Corporate Governance Council's consultation on 3 May 2024. Where our position is unchanged from that response, we have said so. This letter sets out our general comments, followed by our observations on each of the draft Principles and our responses to the questions in the consultation paper.

General comments

A principles-based framework

- ICGN supports the principles-based approach and the 'if not, why not' basis for reporting.
- We welcome the explanations of why each Principle matters, which should assist entities in articulating how their arrangements meet the underlying Principle.
- We recognise that there is no "one size fits all" governance framework and encourage listed entities to adopt the governance arrangements suited to their circumstances and to provide decision-useful information to investors.

Ensuring the right line is drawn between the Principles, the Recommendations and the Explanatory Materials

- We note that the draft states that the Explanatory Materials are not intended to be reported against.
- For that reason, we are not supportive that several matters have moved into the Explanatory Materials, among them the board skills matrix, the factors relevant to assessing independence, and the whistleblower, anti-bribery and corruption, and diversity and inclusion policies. Each therefore now falls outside the 'if not, why not' framework, and entities are no longer expected to explain a departure.

- These are important matters that are core to the understanding and assessment of an entity's approach to governance and we suggest that they be restored to the Recommendations so that they are inside the 'if not, why not' framework.

Duplication

- As we wrote in our 2024 letter, where a matter is significantly regulated for all ASX listed entities we understand the rationale for removing a Recommendation.
- Where the law does not cover the matter fully, our view remains that the Recommendation should be retained.

Comments on the draft Principles

Principle 1: Lay solid foundations for management and oversight

We welcome the focusing of this Principle around board oversight of strategy, performance, risk management and compliance. It describes what boards do, and a clear division of responsibility between the board and management underpins accountability to investors.

In 2024 we welcomed the clarification that the board retains ultimate oversight of matters it delegates to a committee. We continue to support this, and we suggest that it be reflected in the Recommendations rather than in the Explanatory Materials alone.

We believe investors would benefit from the inclusion of a clearer expectation on board evaluation. ICGN's Global Governance Principles recommend that boards conduct an objective evaluation of the board chair, board as a whole, committees and individual directors on an annual basis, including an external review at least once every three years.

Principle 2: Structure the board to be effective

We welcome the emphasis on collective skills, knowledge, experience, diversity and independence, and we welcome ASX's own statement that transparent disclosure of these matters enables investors to make an informed assessment of a board's composition, capability and independence.

We would prefer that the term "commitment" was retained in this principle. This is important to recognise the need to consider each directors' capacity to undertake the role of director, meaning the time available to discharge the role, which we raised in 2024. Our Global Governance Principles state: "The number, and nature, of board appointments an individual director holds should be carefully considered and reviewed on a regular basis and the degree to which each individual director has the capacity to undertake multiple directorships should be clearly disclosed. This consideration should reflect the nature of existing board commitments, executive roles, as well as any commitments relating to foundations or charities."

- **Recommendation 2.2: Board skills, knowledge and experience**

  We believe that the Principles should encourage disclosure of how a board assesses its collective skills and of what that assessment concludes, rather than rely on the Explanatory Materials.

  We suggest that stronger expectations for disclosure be retained. Companies should explain how the collective capabilities of the board align with strategy and future direction, with sufficient disclosure on capability and succession planning, whether through a skills matrix or another format, for example by disclosure of the outcomes of a board capability assessment.

  While we support flexibility, leaving too much discretion in implementation may be unhelpful for investors, there should be a strong and clear expectation of detailed decision useful information, rather than a minimal check box approach.

- **Recommendation 2.3: Board diversity**

  Boards, and the workforce, should comprise a genuinely diverse group of individuals to ensure effective, equitable and inclusive decision-making in alignment with the company's purpose and taking into consideration the interests of relevant stakeholders. This includes individuals from different genders, age, ethnicities, nationalities, social and economic origins, professional skills and personal attributes.

  When the former Council proposed a gender balanced board target for S&P/ASX 300 entities, being at least 40% women, at least 40% men and up to 20% any gender, ICGN welcomed this proposal. We note that this proposal has not been carried forward in the proposed updated Principles.

  We believe it can be helpful for boards to set and publish measurable goals, and that this can be done for diversity in different forms. This can be helpful for succession planning and assessment of overall board composition.

  Keeping the earlier 40% target, on an 'if not, why not' basis, would be helpful.

  A 40% reference point is now well established internationally:

  - The UK Listing Rules set a 40% target for women on the board on a comply or explain basis, and the FTSE Women Leaders Review reports 88% of FTSE 350 companies have achieved or are within reach of the 40% women on boards target with 68% already at 40%.
  - In the European Union, as of June 2026, large listed EU companies must ensure that both sexes hold at least 40% of non-executive board positions (or 33% among all board positions).

- **Recommendation 2.4: Director independence**

  We agree that the Principles should retain the expectation that the board should have a majority of independent directors and the expectations for disclosure of which directors it considers to be independent, along with their length of service.

  We also support the disclosure of the explanations of factors that may be perceived threats to independence, in the draft Principles.

  We are concerned by two changes to the factors relevant to assessing independence, previously contained in box 2.3 which are proposed to be amended in the Explanatory Materials for Recommendation 2.4:

  - Removal of the specific time periods as points of reference, related both to previous executive roles and to length of tenure. We believe these are useful guideposts, and can serve as a helpful starting point for boards. Time-based reference points are common in comparable markets. The UK Corporate Governance Code, for example, uses a nine-year tenure reference point and specific look-back periods for former employment and material business relationships. These have not proved unworkable for UK issuers, and they support consistent disclosure rather than determining the answer.

  - Increasing the security holding reference from a substantial holder (5% or more) to a 10% holder (10% or more), which we also did not support when it was proposed in 2024. There is a strong case for retaining the 5% threshold for consistency with Australia's broader corporate governance and shareholder rights framework. Under the Corporations Act 2001, a 5% holding is already recognised as significant, triggering substantial holding disclosure requirements and certain shareholder rights, including the ability to require directors to call a general meeting or place an item on the agenda. Retaining 5% as a factor in assessing director independence does not mean that a director associated with a 5%

shareholder must automatically be considered non-independent. The current approach appropriately allows boards to exercise judgement, provided they explain the basis for their conclusion.

We support the appointment of a senior independent director, who can give shareholders a channel of communication on matters that may involve a conflict for the chair. We welcome the treatment of this role in the Explanatory Materials and encourage ASX to consider elevating it in a future edition.

Principle 3: Instil and reinforce a culture of acting lawfully, ethically and responsibly

We welcome the recognition of culture as an active board responsibility. We support the new Recommendation on having regard to security holders and other stakeholders, and the disclosure of the mechanisms through which the board monitors culture.

We do not support the removal of the Recommendations to disclose a whistleblower policy and an anti-bribery and corruption policy. We recommended that both to be retained in our 2024 letter and we still consider them important to retain.

We would welcome disclosure of the outcomes of action taken in response to material breaches of the code of conduct, which we supported in 2024 and which does not appear in the draft. Clear and consistent implementation of these policies can also give investors greater confidence that the company's stated standards are reflected in practice.

Principle 4: Safeguard the integrity of corporate reports

High quality audit and assurance underpin the confidence that investors place in a company's reporting, and we welcome the attention this Principle gives to both.

- **Recommendation 4.1: Audit committee**

  We welcome the removal of the wording that suggested it was acceptable for an entity not to have an audit committee.

  Our *Global Governance Principles* outline that the audit committee should be comprised entirely of independent non-executive directors, so we would recommend strengthening the expectations of the draft Principles to a fully independent audit committee.

  We also believe that at least one member should have recent and relevant financial expertise, and that all members should be financially literate. We suggest that the composition requirement in the draft Principles be strengthened accordingly.

- **CEO and CFO declaration (4th edition Recommendation 4.2)**

  As in 2024, we remain concerned by the proposed removal of the CEO and CFO declaration and, in particular, by the loss of the confirmation that the declaration rests on a sound system of risk management and internal control which is operating effectively. This is a valuable declaration. In the United Kingdom, for example, the UK Corporate Governance Code requires boards, for financial years beginning on or after 1 January 2026, to declare whether their material controls, covering financial, operational, reporting and compliance activity, were effective.

  We continue to ask for the declaration to be retained in full and we suggest that it be restored to a Recommendation. This could also sit well alongside or incorporated into Recommendations 7.2 and 7.3, by encouraging boards to require this attestation from management to help them to fulfil their responsibilities.

- **Recommendations 4.2 and 4.3: Verification of periodic corporate reports and auditor tenure**

  We supported extending verification to all periodic corporate reports in 2024 and continue to do so. It would be helpful to strengthen the language in the draft Principles to ensure that the extent to which the report has been the subject of assurance "should" be disclosed, rather than "may" be disclosed.

  We also welcome the new Recommendation on disclosure of auditor tenure.

  To align with the best practices identified in the ICGN Global Governance Principles, the draft Principles could be strengthened further. The board should explain the work of the audit committee in the annual report, which should inform shareholders on the committee's oversight of the effectiveness of the audit process including audit tender, auditor and audit firm tenure, independence, fees, and the provision of any non-audit services. This is important to ensure the shareholders' approval of the auditor's appointment and remuneration. ICGN recommends that companies publish a policy on audit firm tendering including how matters such as audit rotation and tenure are considered. The audit committee should be responsible for the procurement process for external auditors.

Principle 5: Make timely, balanced and accurate disclosure

We welcome the addition of accuracy to this Principle. Timely, balanced and accurate disclosure enables investors to make informed decisions and underpins market confidence.

We would like to see the explanation of why this Principle matters be strengthened to recognise the critical role that timely, balanced and accurate disclosure plays in ensuring a well-functioning capital market.

Principle 6: Support the rights of security holders

We do not support the change of language in this principle from "Respect" to "Support" the rights of security holders. We believe that "Respect" is a stronger formulation and that while adding the term "Support" may be helpful to encourage good practice, it should not replace "Respect" because it may imply that this is discretionary or facilitative only. Some international points of reference include the OECD CG Principles (2023) which uses "protect and facilitate" shareholder rights; The ICGN Global Governance Principles state "Rights of all shareholders should be equal and must be protected" and Singapore's CG Code requires "fair and equitable treatment so shareholders can exercise their rights". The best option may be to include both terms, "Respect and support the rights of security holders".

We would welcome a recommendation for boards to consider engaging with investors where a significant number of votes are cast against a resolution, and to disclose any action taken in response. Our *Global Governance Principles* say that where a board-endorsed resolution is opposed by a significant proportion of votes, the company should explain the action it took in response and report at the following meeting.

We understand that in Australia, virtual only annual general meetings are only permitted by the Corporations Act where expressly permitted by a company's constitution. ICGN is strongly opposed to virtual-only annual general meetings, which limit a shareholder's ability to engage directly with the board. We support hybrid meetings, which give investors the option of attending in person or online, and we suggest that the Explanatory Materials encourage a hybrid format as best practice rather than presenting all formats as equivalent.

Principle 7: Understand and manage risk

We welcome the focus of this Principle on the board understanding its material risks, and the express references to internal control frameworks and to the risk appetite set by the board. Our *Global Governance Principles* state that "Strategy and risk are inseparable and should permeate all board discussions. The board should annually assess the company's key risks, the potential probability and impacts of such risks, and any mitigating actions and procedures. The board should ensure that the company has robust and effective risk management and internal control systems which should address all key risks."

Principle 8: Remunerate fairly and responsibly

We welcome the new Recommendation that non-executive directors be remunerated by way of fixed fees and superannuation contributions only.

We also welcome disclosure of a company's approach to non-executive director ownership of securities, and would welcome that disclosure addressing how any ownership expectation is met and for how long holdings are retained.

We support the new Recommendation on the ability for the entity to make downward adjustments to performance-based pay. We would also encourage a requirement for the disclosure of instances and rationales where the board has exercised discretion to adjust outcomes, in either direction.

To align with global best practices, and in line with the ICGN Global Governance Principles, we recommend that the composition of the remuneration committee should be wholly made up of Independent non-executive directors.

Responses to the consultation questions

1. Do you support the proposed ways to reinforce the 'if not, why not' approach? Are there ways ASX could make this approach work better for listed entities and investors? Are there any third-party resources or materials that are helpful to entities when considering how to implement a recommendation that ASX could make available on its dedicated webpage?

ICGN supports the 'if not, why not' approach and welcomes the explanations of why each Principle matters.

There are many reference materials that can be helpful and could be linked to from the dedicated ASX webpage, for example the OECD Governance Guidelines, the UN Guiding Principles on Business and Human Rights, and our own ICGN Global Governance Principles. Keeping this webpage regularly updated will be an important and helpful way for ASX to support the effective implementation of the Principles.

2. Are there other recommendations that have a substantial overlap with other regulatory disclosure and reporting obligations that could be removed or moved? If so, please identify the recommendation and the overlapping obligation.

We have no additional comments or recommendations here.

3. Recommendation 2.2 (board skills, knowledge and experience): Do you support the replacement of the recommendation of a board skills matrix with a recommendation that the board determines and discloses the mix of skills, knowledge and experience it needs?

No, for the reasons set out in our comments above under Principle 2. We support disclosure of the assessment process and its outcome, and we suggest that the board skills matrix be retained, or that equivalent information be provided in another form.

4. Recommendation 2.3 (diversity): Do you support maintaining the existing target for gender diversity on boards of S&P/ASX300 entities?

We believe that the earlier proposal for a gender balanced board of at least 40% women, at least 40% men and up to 20% any gender was a good proposal, aligned to international trends, and we suggest that ASX adopt that objective. We would also welcome the reinstatement of disclosure of any other relevant diversity characteristics a board is considering.

5. Recommendation 2.4 (independence): Do you support the revised approach to Recommendation 2.4?

Not in full. As we set out above, ICGN considers the proposed deletion of the time-based reference points undesirable and would retain them in the Recommendation. We also do not support the higher shareholding threshold.

6. Do you support the proposed shifting of emphasis to Principle 3? In what other ways should this principle be updated?

ICGN supports the stronger focus on board responsibility for organisational culture, including the proposed Recommendations concerning stakeholder engagement and the monitoring of culture. As set out under our Principle 3 comments, would like to see the reinstatement of the whistleblower and anti-bribery and corruption policies. We would also like to see reinstatement of disclosure of the outcomes of material breaches of the code of conduct.

7. Do you support the proposed changes to Principle 8, including the two new Recommendations? Are there any practical issues with implementation and/or unintended consequences?

We support both new Recommendations.

We would include an implementation expectation to encourage disclosure of instances and rationales where the board has adjusted outcomes.

The Explanatory Materials for draft Recommendation 8.3 allow entities in an exploration, development, start-up or transformation phase to remunerate non-executive directors other than by fixed fees. We recognise that this flexibility may be appropriate for smaller entities with limited cash reserves, however, we believe that it is important that this flexibility is narrowly framed, well-defined, and supported by a clear explanation.

8. Are there additional areas of corporate governance that have evolved since the 2019 edition that could be addressed in the next edition, or that the Advisory Group on Corporate Governance could further focus on following the release of the next edition?

Continuing to monitor developments around transparency, including financially material sustainability related financial reporting and related assurance, in line with the ISSB and IAASB frameworks, will be an important area to continue monitoring.

We would also encourage the Advisory Group to continue to consider the broad range of potentially material risks that boards need to consider in their assessment or materiality and risk management processes, and to ensure that the Principles continue to address and support the governance of those risks.

We would encourage ASX to regularly review the Principles and to consult on them at regular intervals. While this 5th Edition is being proposed after a gap of 7 years, in other markets – for example the UK and Japan, practice is to review, and update their Codes if needed, on a three year cycle.

9. Are there any additional new reporting or compliance obligations that ASX should take into account when setting an implementation timeframe?

We support the proposed timeframe.

10. Do any of the proposed changes to the recommendations create a significant cost or resource burden? If so, please identify the recommendation, explain the new governance practice it would require that the entity does not already have in place, and provide an estimate of the cost or resource impost.

We are not well placed to estimate the cost of particular changes for Australian issuers. However, in any such analysis we would encourage ASX to recognise that governance requirements should be assessed in the context of the benefits and value that they provide to investors and companies, rather than principally as an additional cost.

11. Do you support the revised Appendix 4G?

ICGN considers that Appendix 4G remains useful as a common navigation tool across the market. Retaining a simplified index would allow investors to move efficiently between the Recommendations and the relevant disclosures.

12. What do you see as the arguments for and against continuing with Appendix 4G and what alternative reporting arrangements would be useful?

We favour retaining a streamlined Appendix 4G because it provides investors with a practical means of locating governance disclosures across companies.

13. What is the best way for stakeholders to obtain easy access to the disclosures underlying the Recommendations (such as policies and explanations of processes that can be disclosed on the website rather than in the corporate governance statement itself)?

ICGN supports making governance-related policies and information about relevant processes readily accessible through a clearly identified section of each company's website. The corporate governance statement and Appendix 4G should direct stakeholders to these materials through appropriate cross-references and hyperlinks.

14. Are there any unintended consequences arising from the other changes to the Listing Rules and Guidance Notes covered in this consultation?

While we support a greater focus on a principles-based approach that provides listed entities with flexibility in how they apply the Principles, this flexibility should not come at the expense of the quality or usefulness of material information provided to investors. We encourage ASX to monitor disclosure quality under the new edition and to promote thoughtful application of the Principles, supported by clear and meaningful explanations of governance practices that enable investors to make informed assessments.

Thank you again for the opportunity to share our perspective on the draft 5th edition of the Principles. If you would like to follow up with questions or comments, please contact our Global Policy Director, Peter van Veen (peter.vanveen@icgn.org) or Policy Executive, Thomas Stables (thomas.stables@icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson

Chief Executive Officer, ICGN