

# THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

## **Principle 1: Lay solid foundations for management and oversight**

Companies should establish and disclose the respective roles and responsibilities of board and management.

**Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

**Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.

**Recommendation 1.3:** Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

### **Guide to reporting on Principle 1**

The following material should be included in the corporate governance statement in the annual report:

- i an explanation of any departure from Recommendation 1.1, 1.2 or 1.3
- i whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.

A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.

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## **Principle 2: Structure the Board to add value**

Companies should have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

**Recommendation 2.1:** A majority of the board should be independent directors.

**Recommendation 2.2:** The chair should be an independent director.

**Recommendation 2.3:** The roles of the chair and chief executive officer should not be exercised by the same individual.

**Recommendation 2.4:** The board should establish a nomination committee.

**Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

**Recommendation 2.6:** Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

## Guide to reporting on Principle 2

The following material should be included in the corporate governance statement in the annual report:

- i the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report
- i the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds
- i the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships
- i a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board
- i a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company
- i the period of office held by each director in office at the date of the annual report
- i the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out
- i whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed
- i an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- i a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors
- i the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee
- i the board's policy for the nomination and appointment of directors.

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## Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

**Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- i the practices necessary to maintain confidence in the company's integrity
- i the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- i the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

**Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

**Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

**Recommendation 3.5:** Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

#### **Guide to reporting on Principle 3**

An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- i any applicable code of conduct or a summary
- i any diversity policy or summary.

### **Principle 4: Safeguard integrity in financial reporting**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

**Recommendation 4.1:** The board should establish an audit committee.

**Recommendation 4.2:** The audit committee should be structured so that it:

- i consists only of non-executive directors
- i consists of a majority of independent directors
- i is chaired by an independent chair, who is not chair of the board
- i has at least three members.

**Recommendation 4.3:** The audit committee should have a formal charter.

**Recommendation 4.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

#### **Guide to reporting on Principle 4**

The following material should be included in the corporate governance statement in the annual report:

- i the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out
- i the number of meetings of the audit committee
- i explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- i the audit committee charter
- i information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

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### **Principle 5: Make timely and balanced disclosure**

Companies should promote timely and balanced disclosure of all material matters concerning the company.

**Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

**Recommendation 5.2:** Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

#### **Guide to reporting on Principle 5**

An explanation of any departures from Recommendation 5.1 or 5.2 should be included in the corporate governance statement in the annual report.

The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.

## **Principle 6: Respect the rights of shareholders**

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights

**Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

**Recommendation 6.2:** Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

### **Guide to reporting on Principle 6**

An explanation of any departure from Recommendation 6.1 or 6.2 should be included in the corporate governance statement in the annual report. The company should describe how it will communicate with its shareholders publicly, ideally by posting this information on the company's website in a clearly marked corporate governance section.

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## **Principle 7: Recognise and Manage risk**

Companies should establish a sound system of risk oversight and management and internal control

**Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

**Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

**Recommendation 7.3:** The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Recommendation 7.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

### **Guide to reporting on Principle 7**

The following material should be included in the corporate governance statement in the annual report:

- i explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4
- i whether the board has received the report from management under Recommendation 7.2

- i whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- i a summary of the company's policies on risk oversight and management of material business risks.

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## **Principle 8: Remunerate fairly and responsibly**

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

**Recommendation 8.1:** The board should establish a remuneration committee.

**Recommendation 8.2:** The remuneration committee should be structured so that it:

- i consists of a majority of independent directors;
- i is chaired by an independent director; and
- i has at least three members.

**Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

**Recommendation 8.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

### **Guide to reporting on Principle 8**

The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:

- i the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out
- i the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors
- i an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- i the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee

- i a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.
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