AUSTRALIAN
SHAREHOLDERS'
ASSOCIATION

Submission to the ASX Advisory Group on Corporate Governance

Draft Fifth Edition of the ASX Corporate Governance Principles and Recommendations

14 September 2026

By email: ListingsPolicy@asx.com.au

The Australian Shareholders' Association (ASA) welcomes the opportunity to respond to the ASX Advisory Group on Corporate Governance's consultation draft of the Fifth Edition of the *Corporate Governance Principles and Recommendations* (Principles).

The ASA also thanks the ASX and the Advisory Group for the constructive engagement undertaken as part of the consultation process, both before the release of the draft Principles and through the formal meeting with Gavin Skene and Dior Loveridge from ASX on 7 August 2026. The ASA values the opportunity to contribute the perspective of retail shareholders to the development of the final Principles.

The ASA is Australia's largest independent shareholder advocacy organisation, representing the interests of Australia's approximately 7 million retail shareholders and advocating for well-functioning capital markets, strong corporate governance, transparency and accountability.

From a shareholder perspective, the integrity of listed-company governance is fundamental to confidence in financial reporting, stewardship and the Australian capital market. ASA's interest in the Principles is principally from the perspective of retail shareholders who depend on high-quality, transparent and accountable governance, but who generally have less direct access to boards and management than institutional investors.

The ASA has participated in the ASX corporate governance process since the establishment of the former Corporate Governance Council, and made a detailed submission to the 2024 consultation on the proposed Fifth Edition. We remain supportive of the eight-principle framework and the continuing use of the "if not, why not" approach.

The ASA welcomes the work undertaken by the Advisory Group on Corporate Governance and its intention to retain the strengths of the existing framework while simplifying areas where recommendations duplicate legislation or other regulatory requirements. The current draft appropriately seeks to focus corporate governance reporting on matters that assist investors in assessing how boards exercise their stewardship responsibilities.

The ASA also recognises the importance of maintaining an attractive and accessible public-listing environment. Public markets give retail shareholders opportunities to invest in growing businesses that are generally not available to them through private-equity markets. The governance framework should therefore support investor confidence while remaining proportionate and avoiding unnecessary barriers to companies seeking to access Australian public markets.

However, ASA considers that simplification should not come at the expense of information that retail shareholders need to assess boards, directors, management incentives, risk and accountability.

The ASA's principal recommendations are:

1. Strengthen security-holder engagement with issuers and make it demonstrably two-way.
2. Retain disclosure of individual director skills and experience, preferably through a consistent and transparent skills matrix.
3. Retain meaningful disclosure concerning board composition, diversity and succession.
4. Apply a conservative approach to the proposed 10% independence shareholding threshold, with 5% as a warning indicator.
5. Strengthen the proposed principles concerning culture, whistleblowing and consequence management.
6. Retain strong disclosure of auditor appointment, tenure, review and independence.
7. Ensure that AI, cybersecurity and other emerging risks receive explicit board-level attention.
8. Support the proposed ability to reduce performance-based remuneration where appropriate and strengthen disclosure of its application.
9. Expect listed entities to conduct AGMs in hybrid (in-person and online) format.
10. Simplify Appendix 4G, and retain a practical and reliable means for shareholders to locate governance disclosures.
11. Ensure that "if not, why not" explanations are substantive rather than boilerplate.

The remainder of this submission addresses these matters in greater detail.

1. Overall approach

The ASA supports retaining the eight Principles:

1. Lay solid foundations for management and oversight;
2. Structure the board to be effective;
3. Instil and reinforce a culture of acting lawfully, ethically and responsibly;
4. Safeguard the integrity of corporate reports;
5. Make timely, balanced and accurate disclosure;
6. Support the rights of security holders;
7. Understand and manage risk; and
8. Remunerate fairly and responsibly.

These Principles provide a useful and readily understood framework for assessing the quality of listed-company governance.

The ASA particularly supports the continued application of the "if not, why not" model. A principles-based framework is preferable to an overly prescriptive regime because listed entities differ materially in size, ownership structure, industry, geographic footprint, business model and maturity. We recognise that smaller and early-stage entities, including those with smaller boards and more limited resources, require proportionate guidance. The framework should not create unnecessary barriers to companies accessing Australian public markets, but it should require meaningful explanations of how alternative governance arrangements achieve the intent of the relevant recommendation.

However, the effectiveness of an "if not, why not" framework depends on the quality of the entity's explanation for departing from a recommendation. An explanation that simply states that a recommendation is "not appropriate" or that the company is "too small" does not provide investors with meaningful information.

We therefore recommend that the final Principles make clear that a satisfactory explanation should address:

- why the recommended practice has not been adopted;
- alternative governance arrangements that have been adopted;
- how those arrangements achieve the objective of the recommendation; and
- where relevant, whether the board intends to reconsider its position.

This is particularly important for retail shareholders, who typically have limited opportunity to engage directly with boards outside the AGM.

2. Shareholder and stakeholder engagement should be a central governance expectation

Drawing on more than 60 years of monitoring listed companies, developing policy positions and engaging directly with boards and senior management on behalf of retail shareholders, ASA has a longstanding and well-informed view that meaningful shareholder and stakeholder engagement is fundamental to effective governance.

This supports ASA's long-standing position that boards should understand the interests and concerns of their security holders and maintain effective mechanisms for communicating with them.

The ASA strongly supports retaining the proposed recommendation concerning engagement with security holders and other stakeholders. The recommendation should, however, make clear that shareholder engagement must be meaningful and should not be limited to communication of information already contained in an annual report.

We recommend disclosure of:

- the principal channels through which security holders can engage with the company and board;
- how the company identifies and prioritises material shareholder concerns;
- how matters raised by shareholders are communicated to the board;
- how the board considers shareholder feedback in its decision making;
- the extent to which the board, rather than solely management or investor relations personnel, participates in shareholder engagement; and
- any material changes made to governance or company practices as a result of shareholder feedback, where appropriate.

Retail shareholders should not be treated as a less important constituency than institutional investors based on the quantum of their holdings.

Digital communications, investor briefings and online voting can complement, but should not displace, meaningful shareholder participation. Hybrid AGMs should provide remote participants with opportunities equivalent to those attending in person to observe and hear the proceedings, ask questions, make appropriate comments and vote in real time.

3. Individual director skills should be disclosed

ASA's longstanding governance work supports retaining individual director skills disclosure, consistent with ASA's established position that shareholders need meaningful information when voting on individual director elections and re-elections.

The ASA's 2024 submission argued that a board skills matrix that does not identify the skills attributable to individual directors has limited value to shareholders because investors vote on the election of individual directors, not on the board collectively.

The current draft's move towards disclosure of the process by which boards assess the skills and experience required collectively is constructive. However, collective disclosure alone does not adequately assist shareholders in assessing individual director election and re-election resolutions, including the depth and currency of nominees' experience and capabilities.

The ASA therefore recommends that Recommendation 2.2 require disclosure of:

- the skills, knowledge and experience considered necessary for the board;
- the skills and experience held by each individual director;
- the basis on which the company has assessed those skills;
- any material skills gaps;
- the steps being taken to address material gaps; and
- how the skills matrix informs board succession planning.

The disclosure should distinguish between general familiarity, demonstrated skill and genuine expertise, or similar concepts, so that assessments do not overstate the depth of a director's capability.

We recognise that a standardised matrix should not become an administrative exercise. Nevertheless, some degree of consistency is necessary if shareholders are to make meaningful comparisons between companies.

4. Board skills matrices remain useful

ASA's company-monitoring and governance experience indicates that board skills matrices remain useful where they are transparent, comparable and informative.

The issue is therefore not the concept of a skills matrix, but the inconsistent quality of the disclosure.

The ASA supports retaining the matrix as a recommended governance disclosure and improving its quality rather than abandoning it.

In particular, companies should avoid simply marking every director as possessing every listed skill. Such matrices provide little information and can create the impression that the disclosure is designed to satisfy a reporting requirement rather than inform shareholders.

5. Board diversity

ASA's position on board diversity is anchored in its 2023 Voting and Engagement Guidelines and informed by more than 60 years of monitoring listed companies, developing policy positions and engaging on behalf of retail shareholders. Boards should comprise at least 40% female directors and at least 40% male directors, with the remaining 20% allowing flexibility for board renewal and appointments. Retaining this established expectation avoids lowering ASA's stated standard to the existing 30% target on the basis of a small and potentially non-representative survey.

This position is consistent with broader stakeholder perspectives. ACSI expects companies to develop a timeframe for achieving 40:40:20 gender balance on their boards; AICD material describes boards with at least 40% women directors and at least 40% men directors as good practice; and the Governance Institute of Australia's Board Diversity Index tracks progress against the 40:40:20 target and highlights the need for continued attention to diversity beyond gender alone.

ASA continues to regard diversity as an important component of effective governance because it can broaden perspectives, reduce groupthink and improve the quality of board deliberation.

At the same time, diversity should not be treated as a substitute for skills, competence, independence or appropriate time commitment.

The Principles should therefore continue to encourage boards to explain:

- their approach to board diversity;
- how diversity considerations are incorporated into succession planning;
- the characteristics and perspectives considered relevant to the particular business; and
- progress against any measurable objectives.

The emphasis should be on building an effective and appropriately diverse board rather than achieving diversity through a purely mechanical process.

6. Director independence and the 5%/10% shareholding threshold

ASA notes the proposed movement from a 5% to a 10% shareholding reference point in assessing director independence.

The ASA accepts that a 10% threshold may align more closely with concepts of influence elsewhere in the ASX Listing Rules. However, this should not be treated as a safe harbour for independence, nor should it prevent boards and shareholders from considering a 5% holding as a warning indicator when assessed alongside other factors that might compromise independence, such as extended director tenure.

The Principles should therefore make clear that:

- A 10% threshold should not operate as a safe harbour for independence or imply that holdings below 10% are presumptively harmless.
- The board should consider all relevant circumstances, including shareholdings, relationships with significant shareholders, tenure, previous executive roles and other material interests.

ASA maintains its longstanding policy concern regarding extended director tenure. Service of more than 12 years should ordinarily lead shareholders to question whether a director remains independent, consistent with ASA's existing voting and governance guidelines.

The final Principles should reinforce that independence is a matter of substance and perception, not merely compliance with a numerical threshold.

7. Culture, whistleblowing and consequence management

Culture is fundamental to sustainable corporate performance and investor confidence.

ASA's engagement with listed companies supports continued attention to whistleblowing, organisational culture and consequence management.

The Principles should continue to draw boards' attention to whistleblowing, culture and consequence management, even where the underlying legal obligations are contained elsewhere.

This is particularly important because shareholders are interested not simply in whether a company has a policy but whether the policy works.

We recommend that the final Principles encourage disclosure of:

- how the board monitors organisational culture;
- how lead indicators, including smaller signals, employee survey results and emerging patterns, and lag indicators, including substantiated complaints, material incidents and other realised outcomes, are monitored, assessed and escalated to the board;
- whether employees have the psychological safety and confidence to speak up under the culture established by the board;
- how retaliation against whistleblowers is prevented;
- how material breaches of key policies are addressed; and
- whether remuneration or other consequences have been applied where appropriate.

The ASA's previous submission supported reporting material breaches and their consequences. We continue to believe that disclosure of consequence management is important because it demonstrates whether stated values are enforced in practice. Privacy and employment-law considerations can be accommodated without identifying individuals.

8. Auditor appointment, tenure, review and independence

The ASA strongly supports the proposed disclosure concerning auditor appointment and review.

Investors need confidence not only that financial statements comply with accounting requirements, but also that the audit process is independent and robust.

The proposed disclosure should include:

- when the audit firm was first appointed;
- when the audit was last competitively tendered or otherwise subject to a comprehensive review;
- the process undertaken and the outcome of that tender or review;
- the identity of the current lead audit partner and the length of that partner's tenure; and
- where relevant, material matters arising from the tender or review.

ASA considers that the audit committee should be accountable for ensuring that auditor independence is assessed in substance as well as form.

This disclosure is particularly important where auditor tenure is lengthy.

9. Artificial intelligence, cybersecurity and emerging risks

The ASA is concerned that the draft does not give sufficient prominence to cyber risks, artificial intelligence and other material technology risks.

AI should not necessarily be addressed through highly prescriptive rules. However, the Principles should make clear that boards are responsible for understanding and overseeing material risks arising from AI and other emerging technologies.

Similarly, cybersecurity is not merely an IT issue. A material cyber incident can affect financial performance, reputation, disclosure obligations, operational continuity and shareholder value.

The ASA recommends that Recommendation 7.2 expressly identifies **AI, cybersecurity, data security and material technology risks** as matters that boards are expected to address when assessing their risk-management framework.

The wording should remain principles-based. The objective should be to ensure board accountability and oversight, not to prescribe a particular technology or committee structure.

10. Remuneration and the ability to reduce performance outcomes

The ASA strongly supports the proposed recommendation allowing performance-based executive remuneration outcomes to be reduced where appropriate.

Shareholders expect remuneration frameworks to allow boards to reduce outcomes where performance, conduct or risk outcomes justify doing so.

Retail shareholders expect companies to operate an effective and flexible executive remuneration framework that incentivises performance and exemplary conduct, and conversely, reduces remuneration for:

- underperformance;
- misconduct;
- material risk-management failure;
- material control failure;
- significant reputational damage;
- financial restatement;
- regulatory breach;
- failure to meet non-financial obligations relevant to the role; or
- performance that, viewed in hindsight, does not justify the original incentive outcome.

The exercise of board discretion should be transparent.

Where a material downward adjustment is made, shareholders should be told:

- the amount or percentage of the reduction;
- the relevant performance or conduct issue;
- who exercised the discretion;
- whether the board considers the outcome consistent with the company's remuneration principles.

11. Non-executive director remuneration

The ASA supports the principle that non-executive directors should not receive performance-based remuneration.

The board's role is to oversee management and exercise independent judgement. Financial arrangements should not create incentives that compromise that independence.

The ASA also supports the proposed emphasis on fixed directors' fees, including directors personally attaining the minimum shareholding advised by the company, provided that share-based remuneration does not create conflicts or otherwise undermine independence.

Any exceptions for early-stage, exploration or cash-constrained companies should be explained.

12. Hybrid AGMs should be standard

ASA considers hybrid AGMs should be the standard meeting format for listed entities to support meaningful and accessible shareholder participation.

For many shareholders, physical attendance at an AGM is impractical due to location, mobility limitations, work commitments and/or travel costs.

Remote participants should have opportunities equivalent to those attending in person to observe the proceedings, hear discussion clearly, ask questions, make appropriatecomments and vote in real time. Hybrid meetings should not be treated as a lesser form of participation. The technology should support reliable two-way participation, including a video stream where practicable, and companies should explain any material limitations on remote participation. Concerns about logistics, cost or meeting security should be addressed through appropriate planning and technology rather than by excluding shareholders who cannot attend in person.

13. Appendix 4G and locating governance disclosures

The ASA supports retaining Appendix 4G in a simplified form so shareholders can locate governance disclosures efficiently.

For retail shareholders, ease of navigation matters.

Governance information is typically spread across annual reports, corporate governance statements, company websites, notices of meeting and other documents. Appendix 4G can provide a useful roadmap.

14. "If not, why not" declarations must be meaningful

The Principles should reinforce the quality of explanations provided under the "if not, why not" framework.

ASA company monitors commonly encounter generic declarations that provide little insight into the company's governance arrangements.

The final Principles should expressly discourage statements such as:

"The company considers this recommendation is not appropriate given its circumstances" without further explanation.

A meaningful explanation should describe the alternative arrangement and why the board considers it achieves the relevant governance objective.

This is particularly important for recommendations concerning:

- board composition;
- director independence;
- skills;
- diversity;
- shareholder engagement;
- risk;
- remuneration; and
- board evaluation.

15. Retail shareholders must remain visible in the governance framework

The Principles should recognise explicitly that Australian listed companies have a diverse shareholder base, including:

- retail investors;
- SMSF investors;
- institutional investors;
- superannuation funds;
- international investors; and
- other long-term investors.

Retail shareholders collectively represent a substantial proportion of company ownership, and should remain recognised through voting, information and participation rights.

The governance framework should therefore continue to support equal access to material information and meaningful opportunities to engage with companies.

ASA encourages the Advisory Group and ASX to maintain direct engagement with retail shareholders throughout the implementation of the Fifth Edition and in future reviews. ASA is an appropriate conduit for engagement with its members and for conveying the perspective of retail shareholders.

16. Conclusion

The ASA supports the overall direction of the draft Fifth Edition.

The retention of the eight Principles and “if not, why not” framework, simplification of regulatory duplication and greater emphasis on governance outcomes are appropriate developments.

However, the Principles should not become so simplified that they compromise the transparency of corporate governance to stakeholders.

For retail shareholders, ASA’s policy emphasis remains clear: best-practice governance requires **accountability, transparency, competence, independence and the protection of shareholder rights**.

We therefore encourage the Advisory Group to strengthen the final Principles in the following areas:

- meaningful shareholder and stakeholder engagement;
- individual director skills disclosure;
- board diversity and succession;
- substantive assessment of director independence;
- culture, whistleblowing and consequence management;
- auditor independence and review transparency;
- AI, cybersecurity and emerging risks;
- remuneration accountability;
- effective hybrid shareholder meetings; and
- accessible and reliable governance disclosures.

ASA also requests that the Advisory Group continue to engage with retail shareholders as the Principles are finalised and subsequently reviewed.

The “if not, why not” model works best when investors receive enough information to understand not only whether a company follows a recommendation, but how the board believes its governance arrangements protect and create long-term shareholder value. That should remain the central objective of the Fifth Edition: a governance framework that supports transparent, accountable and effective listed-company governance for shareholders across Australia, including the approximately 7 million retail shareholders whose interests ASA represents.

Regards,

Rachel Waterhouse
Chief Executive Officer

Australian Shareholders' Association