

ASX Corporate Governance Council

- Principles and Recommendations 3rd Edition (2014)

[AND]

- Related ASXLR amendments



cole corporate

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1. CGC P&R

- who is CGC?
- what is the purpose?
- historical evolution
 - 1st edition (2002)
 - revision (2007)
 - 2nd edition (2010)
 - 3rd edition (2014)

INDUSTRY ACCEPTED “GOOD GOVERNANCE” BENCHMARKS AGAINST WHICH LISTED ENTITIES ARE EXPECTED TO REPORT



2. About governance

- definition
- “effective governance”
- one size does not fit all
- key governance attributes

ENHANCED CORPORATE PERFORMANCE AS WELL AS RISK
MANAGEMENT AND COMPLIANCE



3. Key policy issues

- disclosure of relevant governance information
- non-prescriptive “if not why not” reporting principle
- fulsome reporting and explanation encouraged
- articulation with newly amended ASXLR 4.7, 4.10.3 and new Appendix 4G
- international comparisons

REPORTING OBLIGATION TIES INTO ASX LISTING RULES TO GIVE
ENFORCEABILITY

4. Structure

- Principles
 - 8 x high level statements
- Recommendations
 - 29 x compound recommendations involving 95 compliance related elements
- Commentary/Box information
 - around 150 suggestions of elements of good governance practice

MANDATORY REPORTING RECOMMENDATIONS
v's
NON-MANDATORY SUGGESTIONS/COMMENTARY

5. Principles

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Act ethically and responsibly
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of security holders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

6. New and material aspects of 3rd Edition Recommendations and related ASXLR amendments

- (a) Effective Date
 - 1 July 2014 (reportable for annual financial periods ending on or after 30 June 2015)
 - periodic non-compliance with 3rd Edition between 1 July 2014 – 30 June 2015 is reportable
- (b) How to disclose
 - web-site [OR] annual report
 - [BUT]
 - mandatory Appendix 4G and corporate governance statement release to ASX in any event
 - if on web-site, cross reference to web-site URL in annual report corporate governance statement

MANY SUBTLE BUT IMPORTANT CHANGES

6. New and material aspects of 3rd Edition Recommendations and related ASXLR amendments

- (c) Director appointment/election information
 - Rec 1.2/1.3
- (d) Company secretary accountability
 - Rec 1.4
- (e) Scope of diversity initiatives
 - Rec 1.5
- (f) Board/Committee/Director reviews and evaluation - expectation
 - Rec 1.6

MANY SUBTLE BUT IMPORTANT CHANGES

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- (g) Board skills matrix
 - Rec 2.2
 - (h) “independence” of directors focus
 - Rec 2.3
 - (i) Director induction and continuing professional development expectations
 - Rec 2.6

INCREASING FOCUS ON THE EFFECTIVENESS OF THE BOARD AND ITS
DIRECTORS



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- (j) CEO/CFO sign off on financial statements
 - Rec 4.2
 - (k) Scope of corporate governance information on website
 - Rec 6.1
 - (l) Investor relations and communications program
 - Rec 6.2

INCREASING EXPECTATIONS OF SHAREHOLDER AND INVESTOR
INFORMATION FLOWS AND ENGAGEMENT



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- (m) Annual review of risk management framework
 - Rec 7.2
 - (n) Internal audit disclosure aspects
 - Rec 7.3
 - (o) Disclosure of “material exposure to economic, environmental and social sustainability risks”
 - Rec 7.4
 - (p) Policy on equity based remuneration schemes
 - Rec 8.3

RECOMMENDATION 7.4 ON ESG STYLE RISKS MAY PROVE TO BE INTERESTING

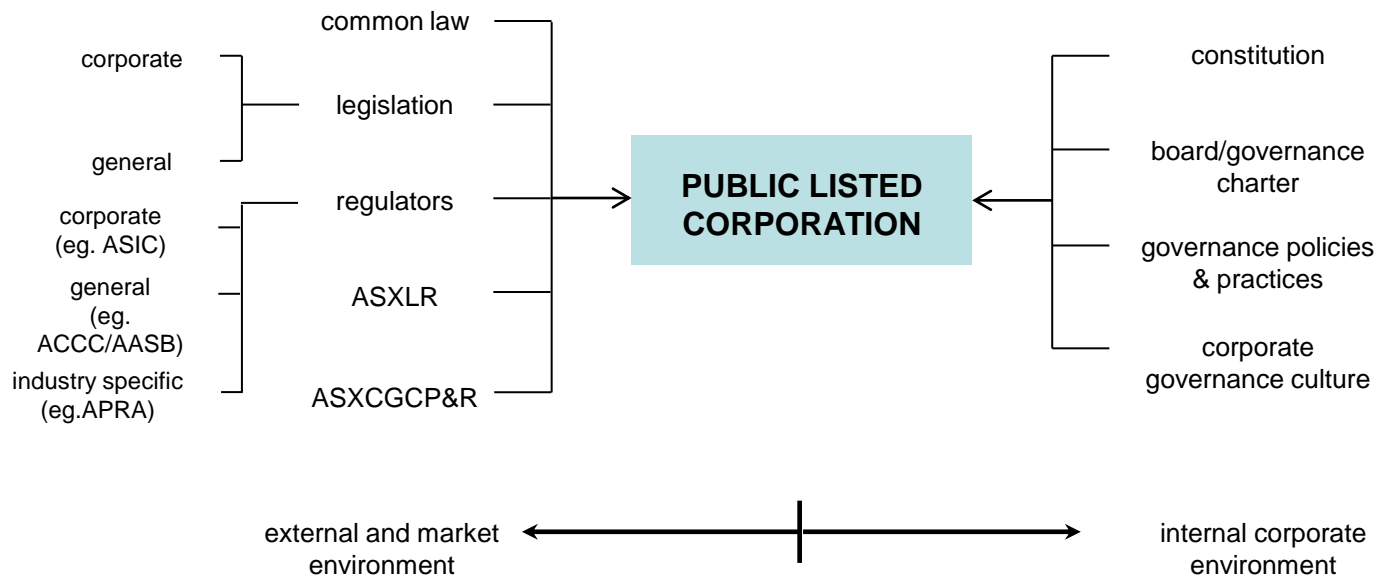
7. Commentary/non-reporting suggestions

- around 150 suggestions of elements of good governance practices
- no reporting obligation
- implicit pressure to adopt and/or have regard to these suggestions

WILL MATURE AND INSTITUTIONAL INVESTORS EXPECT MATERIAL ADOPTION OF THESE IN ANY EVENT?



8. Overview of legal, regulatory and governance landscape



A VAST ARRAY OF GOVERNANCE RELATED REGULATORY AND QUASI REGULATORY EXPECTATIONS

9. Non-compliance risks (ASXLR/ASX CGC P&R)

- market
- reputational
- liability
- regulatory / listing

ONLY THOSE PREPARED TO LEND CREDIBILITY TO MARKET INTEGRITY
SHOULD BE ENTITLED TO THE BENEFITS OF THE MARKET



10. Conclusion

- increasing expectations of corporate transparency and accountability
- increasing penetration of the “opaque black box” of board governance
- increasing expectations upon market participants to assure market integrity, efficiency and reputation
- Increasing regulatory compliance expectations under ASXLR
Appendix 4G

EFFECTIVE GOVERNANCE IS A JOURNEY OF CONTINUOUS
IMPROVEMENT RATHER THAN A DESTINATION

11. Q&A and discussion

- observations
- questions
- relevance to you and your organisation

EFFECTIVE CORPORATE GOVERNANCE IS TOO IMPORTANT AN ISSUE TO
BE LEFT TO CHANCE

