

# Will your corporate governance reporting be up to scratch this year?

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All ASX listed companies whose financial year ended on 30 June 2015 will soon be considering (if they have not already) how they will report against the updated ASX Corporate Governance Principles and Recommendations (**Principles and Recommendations**) for the 2014/2015 financial year.

The 3rd edition of the Principles and Recommendations takes effect for the first full financial year of a company which commenced on or after 1 July 2014. As a result, this will be the first time many ASX listed companies will be required to report against the updated guidelines.

In this article, [we](#) explain a number of the key changes to the Principles and Recommendations and outline what steps you can take to get prepared for reporting against the 3rd edition.

## Key Changes in the 3rd edition of the Principles and Recommendations

While the 3rd edition of the Principles and Recommendations maintains the 'if not, why not' approach to reporting, ASX is now looking for more comprehensive reporting as to why a company has chosen not to adopt the relevant recommendation and any explanation must ensure that the market receives a sufficient level of information about the company's governance.

In addition, there have been a number of changes made to the Principles and Recommendations in the 3rd edition, as well as to associated ASX Listing Rules. The key changes include:

- changes to the criteria for determining the independence of directors;
- a requirement to disclose a board skills matrix setting out the mix of skills and diversity that the board has or is seeking;
- greater flexibility for reporting compliance with board committee recommendations if alternative governance practices are in place;
- elevation of a number of matters previously touched on in the ASX commentary to principles which must be reported against, such as background checks on directors, written contracts for appointment, matters relating to the accountability of the company secretary and professional development of directors;
- enhanced risk recommendations, providing for annual review of risk management frameworks, internal audit and sustainability risks;
- an ability to streamline corporate governance disclosure through disclosure on the company website instead of in the company's Annual Report; and
- a requirement to lodge with the ASX a new Appendix 4G (which is a key to corporate governance disclosures and is a useful verification tool for reporting), along with the Annual Report and corporate governance statement approved by the board.

A copy of the 3rd edition can be found [here](#).

## What you should do now

If a company was not an early adopter of the 3rd edition of the Principles and Recommendations it

will need to:

- review its current Corporate Governance Policy to determine compliance with the updated Principles and Recommendations. If the Corporate Governance Policy was adopted some time ago, it may be most effective to adopt a new policy which reflects both the company's governance systems as well as the updated Principles and Recommendations.
- determine what recommendations the company has complied with (the Appendix 4G can assist in this regard) and prepare a corporate governance statement.
- determine where disclosure is to occur i.e. in the Annual Report or on the company website.
- obtain board approval of the corporate governance statement and prepare and lodge an Appendix 4G with the Annual Report and the corporate governance statement.
- consider improving the Investor information provided on the company website. This includes:
  - publicising an email address to be used for security holder communications;
  - providing an ability to subscribe for company updates and announcements via the company website; and
  - making available corporate governance information on the company website.

For more information on how you can ensure your corporate governance reporting and processes are in line with current ASX requirements or for assistance with reviewing or implementing corporate governance policies, please contact HopgoodGanim Lawyers' [Corporate Advisory & Governance](#) team.

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