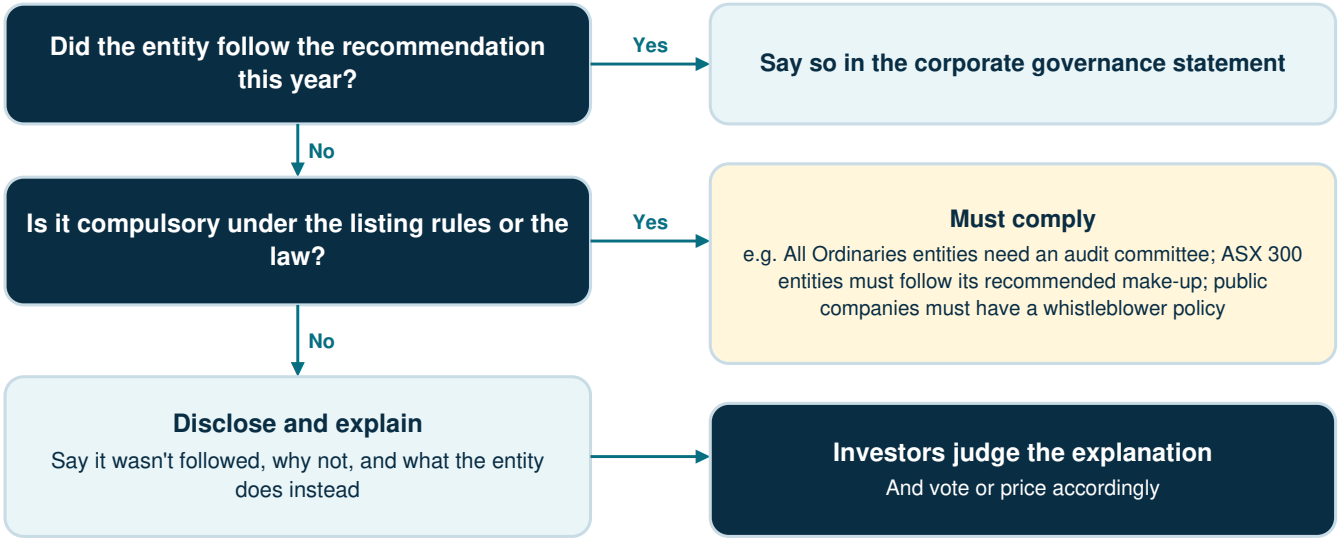
The eight ASX principles

MODULE 3 | PART D.2 | STUDENT COMPANION

Most recommendations apply on an **if not, why not** basis: a listed entity either follows each one or explains in its corporate governance statement why not and what it does instead.

1. **Lay solid foundations for management and oversight**
   Board charter; diversity objectives; performance evaluations
2. **Structure the board to be effective and add value**
   Majority independent; independent chair who is not the CEO
3. **Instil a culture of acting lawfully, ethically and responsibly**
   Values, code of conduct, whistleblower and anti-bribery policies
4. **Safeguard the integrity of corporate reports**
   Audit committee; CEO and CFO declaration
5. **Make timely and balanced disclosure**
   Written disclosure policy; presentations released first
6. **Respect the rights of security holders**
   Investor relations; polls, not a show of hands
7. **Recognise and manage risk**
   Risk committee; yearly framework review; ESG risks disclosed
8. **Remunerate fairly and responsibly**
   Remuneration committee; separate pay policies; hedging policy



Committees and a real disclosure

MODULE 3 | PART D.2 | COMMITTEE CHECKLIST

Committee	Members	Independence	Chair	If there is none
Nomination	3 or more	Majority independent	Independent director	Explain succession and skills processes
Audit	3 or more, all non-executive	Majority independent	Independent, not the board chair	Explain verification processes (compulsory for All Ordinaries; ASX 300 must follow the make-up)
Risk	3 or more	Majority independent	Independent director	Explain how risk is overseen
Remuneration	3 or more	Majority independent	Independent director	Explain how pay is set

Real example - Harvey Norman (FY2026 statement). The company disclosed that it does not follow three recommendations: a majority of independent directors, an independent chair, and the 30% gender objective for its board. Its executive chairman is not independent (he is not the chief executive), and four of its nine directors are executives. Its approach to choosing directors weighs significant shareholdings and an owner's perspective. Disclosure lets each investor judge whether the explanation is convincing.

Other recommendations worth remembering

- **ASX 300 entities:** a board objective of at least 30% of each gender, reached within a set time frame (Rec 1.5).
- **CEO and CFO declaration** before the board approves the financial statements (Rec 4.2).
- **Polls, not a show of hands,** for substantive resolutions (Rec 6.4).
- **Hedging policy** for equity-based pay schemes (Rec 8.3).
- **Additional recommendations** for directors who don't speak the meeting language, and for entities established outside Australia (Recs 9.1 to 9.3).

Sources: ASX Corporate Governance Council, Principles and Recommendations, 4th edition (2019); ASX Listing Rule 12.7; Harvey Norman Holdings Ltd Corporate Governance Statement and Appendix 4G (28 August 2026). A new edition of the principles has been proposed; check which version applies.

Practice questions

MODULE 3 | PART D.2 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Southern Lights Mining Ltd

Imagine **Southern Lights Mining Ltd**, a public company in the S&P/ASX 300. Its founder is both executive chair and chief executive. The board of six also includes the chief financial officer, the chief operating officer, a non-executive who represents a shareholder holding 19%, and two independent non-executives. The audit committee is the three non-executives, chaired by the shareholder representative. There is no risk committee and no description of how risk is overseen, no whistleblower policy, and AGM resolutions are decided by a show of hands. Identify each departure from the recommendations and say what the company must do about it.

Question 2 - which principle?

Write the principle number (1 to 8) beside each practice.

Practice	No.	Practice	No.
(a) Publishing a board skills matrix		(e) A yearly review of the risk framework	
(b) CEO and CFO declaration on the accounts		(f) Measurable gender diversity objectives	
(c) Releasing a new investor presentation first		(g) Deciding resolutions by poll	
(d) A ban on hedging unvested executive shares		(h) A policy against bribery and corruption	

Worked answers

MODULE 3 | PART D.2 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Southern Lights Mining Ltd

Departure	Recommendation	What the company must do
Only two of six directors are independent	2.4 majority independent	Disclose and explain, or appoint more independent directors
Chair is an executive and also the CEO	2.5 independent chair, not the CEO	Disclose and explain, or separate the roles
Audit committee chaired by a non-independent director	4.1 independent committee chair	Must fix: as an S&P/ASX 300 entity, the listing rules require the recommended audit committee make-up
No risk committee and no explanation	7.1 risk committee or explain	Form a committee, or disclose the processes it uses instead
No whistleblower policy	3.3 whistleblower policy	Must adopt one: the law requires public companies to have a whistleblower policy
Show of hands at the AGM	6.4 decide by poll	Disclose and explain; better practice is to move to polls

Key insight: most departures can be explained, but two here cannot. The audit committee make-up is compulsory under Listing Rule 12.7 for S&P/ASX 300 entities, and a whistleblower policy is a legal requirement for public companies.

Question 2

(a) 2 | (b) 4 | (c) 5 | (d) 8 | (e) 7 | (f) 1 | (g) 6 | (h) 3