GLASS LEWIS

11 September 2026

ASX Limited and the Advisory Group on Corporate Governance

By email: ListingsPolicy@asx.com.au

Re: Submission on the ASX Corporate Governance Principles and Recommendations – Draft 5th Edition Consultation Paper (July 2026)

Glass Lewis appreciates the opportunity to comment on the ASX Corporate Governance Principles and Recommendations – Draft 5th Edition Consultation Paper (Consultation Paper), issued by ASX Limited (ASX) and the Advisory Group on Corporate Governance in July 2026.

Founded in 2003, Glass Lewis is an independent provider of global governance services, providing proxy research and vote management services to institutional investor clients around the world. The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general.

Previous editions of the Principles and Recommendations have informed Glass Lewis' own Australian benchmark policy guidelines, which in turn inform our proxy voting research. Glass Lewis views the Principles and Recommendations as an important reference point for governance practice and market norms in the Australian market.

The responses set out below address the matters Glass Lewis considers most significant in the Consultation Paper. They are not intended to be exhaustive.

Should you have any questions about our submission, we would be pleased to discuss it.

Respectfully submitted,

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Consultation Questions and Glass Lewis Responses

Question 1

Do you support the proposed ways to reinforce the 'if not, why not' approach? Are there ways ASX could make this approach work better for listed entities and investors? Are there any third-party resources or materials that are helpful to entities when considering how to implement a recommendation that ASX could make available on its dedicated webpage?

Glass Lewis response:

Yes, we support the reinforced 'if not, why not' approach and the clearer three-way separation between Principles, Recommendations and Explanatory Material.

Attaching a short statement of purpose to each Principle will aid in promoting a shared understanding of that Principle's intent and better support issuer-shareholder engagement on the Principles. Purpose statements will be helpful on the company side in determining and explaining whether a departure from a given recommendation is warranted in their circumstances as well as in designing an alternative governance arrangement. On the investor side, purpose statements provide a basis on which to call out a departure from a Principle's intent, without needing to assert an undisclosed purpose.

Housing the supporting material outside the core document is sensible as it allows refreshment - as law and practice evolve - without waiting on a full edition review. To avoid entities treating a single set of suggested wording as a template, the supporting materials should span a range of contexts and viewpoints. That is also more consistent with the 'if not, why not' approach, which treats good corporate governance as a matter of tailored arrangements rather than one-size-fits-all templates.

Question 3

Recommendation 2.2 (board skills, knowledge and experience): Do you support the replacement of the recommendation of a board skills matrix with a recommendation that the board determines and discloses the mix of skills, knowledge and experience it needs?

Glass Lewis response:

In our experience of providing analysis to investors for use in proxy voting, existing board skill matrices are not reliably useful for the purpose of evaluating a director or a board. Disclosure is inconsistent across issuers, and there is often little specificity regarding the criteria used to determine when an individual director is said to possess a particular skill, making it difficult to draw meaningful comparisons between directors or boards. Frequently, we are of the view that board skills matrices attribute skills to directors where no appropriate depth of experience supports the attribution. We have found director biographies, or our own research into a director's career history, more reliable and more insightful in assessing a director or board's set of skills and experience.

While we consider current board skills matrix disclosure practices to be unsatisfactory, we do not regard the matrix itself as redundant. Were these disclosures grounded in a shared understanding of what each skill requires, and in a higher standard of board self-reflection, they could be considerably more valuable than they are today. That would require greater specificity in what the recommendation asks for.

Nonetheless, alternative disclosures could achieve the same goal of allowing shareholders to consider the adequacy of the skills and experience represented on the board. Glass Lewis is open to those alternatives, but considers that the revised recommendation, by shifting to disclosure of a board process, loses the limited specificity the previous recommendation had. Unless it is accompanied by detailed supporting material specifying what the disclosure should contain, the change is unlikely to improve confidence in board nomination processes, or to prompt more rigorous board self-assessment of its own skills and shortcomings.

A disclosed process gives no confidence that the resulting composition is appropriate or adequate unless that composition is demonstrably well considered, based on a review of the individual directors. The focus should therefore remain on board composition as an outcome, and not only on the process by which the board arrived at it.

We believe investors would benefit from:

- Disclosure of key skills and experience the board considers relevant in planning its composition.
- Disclosure of which directors possess those skills and experience, and specifically why – what qualification on prior experience lends that attribution – which is currently lacking in ASX disclosures.
- Linking these disclosures to succession planning, including greater transparency of board renewal plans.

Linking the board’s skills assessment to disclosures on succession planning would give investors a clearer basis for assessing board renewal than a static account of the skills presently held. That might cover the number of directors expected to retire over the coming years, the skills and experience being sought in future appointments, and those becoming less relevant to the entity’s strategy.

Question 4

Recommendation 2.3 (diversity): Do you support maintaining the existing target for gender diversity on boards of S&P/ASX300 entities?

Glass Lewis response:

The most recent evidence on this question comes from the BCEC and WGEA's Gender Equity Insights 2025: The Power of Balance,[1] the most significant locally-sourced research on this topic. The report finds that organisations with gender-balanced leadership – defined as at least 40% women and 40% men – see stronger company value, profitability and resilience than their peers, and separately notes that ASX boards specifically are now "approaching parity" on gender composition, even without a change to the current target.

The report shows significant progress on gender balance on boards and points to a correlation between gender balance and performance. It also shows that the market is already moving towards that outcome voluntarily, under the existing 30% objective.

We consider the existing 30% objective an appropriate baseline against which companies should be assessed, and against which they should be required to explain any shortfall. A 40:40 gender-balance target is a worthy ambition. In retaining the 30% objective, Recommendation 2.3 sets a baseline rather than an ambition, which we consider consistent with the role of the Principles and Recommendations.

This is consistent with the position Glass Lewis took in the 2024 consultation, and with its view that 30% is a floor rather than a ceiling. We also support broadening the assessment of board diversity beyond gender to encompass skills, experience and background, and remain supportive of boards that elect to adopt a 40:40:20 goal voluntarily.

While the evidence of progress at board level is clear, the same does not hold at executive level, where progress has stalled.[1] We suggest this as an area for further focus on that in our response to Question 8.

[1] Duncan, A., Sotirakopoulos, P. and Vu, L., *Gender Equity Insights 2025: The Power of Balance*, BCEC|WGEA Gender Equity Insights Series, Issue #10 (October 2025), available at bcec.edu.au/publications/gender-equity-insights-2025-the-power-of-balance.

Question 5

Recommendation 2.4 (independence): Do you support the revised approach to Recommendation 2.4?

Glass Lewis response:

The factors relevant to assessing the independence of a non-executive director (previously contained in Box 2.3 of the 4th edition) are proposed to be relocated to Explanatory Materials.

Investors rely heavily on a board's independence classifications, which shape views on board and committee composition. Relegating the relevant factors to Explanatory Materials leaves the assessment almost entirely to the entity's own judgement, which Glass Lewis considers a material weakening of Recommendation 2.4.

Additionally, the description of some individual factors is proposed to be amended, including removal of references to specific time periods. The Explanatory Materials refer to "recent" (rather than "within the last three years") when considering former material business relationships or executive appointments, and to "such a period that their independence…may have been compromised" (rather than ten years) when considering whether tenure has affected independence.

Removing these time frames, together with the relocation of the factors themselves, introduces vagueness and reduces the clarity of the independence assessment process. Glass Lewis understands the intention to avoid prescription and box-ticking but considers that clear guidance on what should raise a question about a director's independence introduces useful objectivity and rigour – and importantly introduces minimum standards.

Our experience with some director independence classifications is mixed, with some companies claiming unobservable "independence of mind" even in the context of excessively long tenures or familial connections. Reducing prescription allows further wiggle-room for exploitation.

A defined set of considerations, applied consistently across the market, is what allows investors to compare one board's determinations against another's. Where a particular consideration is not relevant to an entity's circumstances, the 'if not, why not' approach already allows it to explain why.

Glass Lewis accepts that a defined list carries some risk of boards treating it as a checklist and looking no further. On balance, however, the more diligent boards can be expected to go beyond the stated factors regardless, and the greater risk lies in the absence of any common reference point drawing the remainder toward a less rigorous assessment.

Glass Lewis also questions the proposed shift away from the Corporations Act's definition of a substantial shareholder (a 5% holding) as the threshold for assessing whether a director's shareholding, or association with a shareholder, could affect their independence. The Consultation Paper instead proposes to align this threshold with the ASX Listing Rules Chapter 10 "position of influence" test, being a substantial (10%) shareholder. In Glass Lewis' view, a 5% shareholding is material to director independence in most cases, and is large enough to determine the outcome of a significant number of special resolutions. Independence risk is therefore elevated for a director associated with a 5% shareholder, particularly in circumstances such as a change-of-control transaction, where that shareholder's decision to exit their position may directly conflict with the interests of other security holders. On this basis, raising the reference point to 10% appears excessive and the rationale for the change - alignment with other regulation – is not compelling.

Question 6

Do you support the proposed shifting of emphasis to Principle 3? In what other ways should this principle be updated?

Glass Lewis response:

Glass Lewis welcomes the greater emphasis placed on the entity's culture and on the board's role in instilling and reinforcing a positive organisational culture.

The proposed Recommendations no longer specify which policies entities should have and disclose. The current 4th edition is more prescriptive, requiring whistleblowing, diversity, and anti-bribery and corruption policies; the proposed Explanatory Material instead notes that publicly disclosing 'key policies such as the whistleblowing, diversity and anti-bribery and corruption policies' can enhance transparency. We accept that the policies an entity establishes and discloses should generally depend on its own circumstances and what is material to it.

However, Glass Lewis considers that whistleblower policy disclosure should remain a standalone Recommendation, rather than a matter left to each entity's own judgement. Public disclosure is what allows those best placed to identify wrongdoing but not employed by the entity – contractors, former employees, customers and suppliers – to know the mechanism exists and how to use it.

Separately, proposed Recommendation 3.1 calls for disclosure of an entity's process for engaging with security holders and other stakeholders, but does not indicate the scope or form that disclosure should take. Without that specificity, both the practice and its usefulness are likely to vary considerably between entities. Glass Lewis suggests the Explanatory Material be extended to indicate what is expected. Useful disclosure would cover how the entity identifies which security holders and stakeholders to engage with, the channels and frequency of that engagement, the extent to which directors participate directly, the themes raised over the reporting period, and how the entity considered and acted on the feedback received. Glass Lewis further considers that an entity's engagement processes should be capable of surfacing and weighing situations where the interests of different stakeholder groups diverge, and that the disclosure could extend to the approach in those circumstances.

Question 7

Do you support the proposed changes to Principle 8, including the two new Recommendations? Are there any practical issues with implementation and/or unintended consequences?

Glass Lewis response:

Glass Lewis supports the new Recommendation that a listed entity should have the ability to adjust performance-based remuneration downwards when appropriate, which the Explanatory Materials extend to adjustments made after award, payment or vesting. Clawback and malus provisions are an important means of applying consequences to remuneration following major adverse events. Most ASX 300 entities already have such provisions in place, and investors expect them.

The recommendation could also be read more broadly, extending to the board's discretion to adjust any formulaic incentive outcome before payment, at the assessment stage. While boards and remuneration committees should aim to design incentive structures that closely reflect company priorities, attempting to factor in too broad a range of scenarios upfront can result in overcomplicated scorecards that fail to motivate executives. Boards should retain the flexibility to factor in considerations material to their assessment of executive performance, even where these are not explicitly built into performance scorecards.

However, by referring specifically to "performance-based" remuneration, the recommendation leaves room for interpretation as to the service-based components of incentive structures that a subset of companies has adopted in recent years, often as restricted share unit grants forming part of a long-term incentive. We consider that these awards, while not performance-based, should be subject to the same capacity for downward adjustment where the board considers it appropriate.

Glass Lewis also supports the new Recommendation that non-executive directors be remunerated by fixed fees only, and that entities disclose their approach to non-executive director ownership of securities.

Variable remuneration presents a risk to non-executive directors' independence and objectivity, tying a director's financial interests to the performance outcomes they are meant to oversee impartially. Glass Lewis accepts that equity-based remuneration can nonetheless be appropriate in some circumstances, particularly for cash-constrained entities, provided the instruments awarded carry the same risk profile as ordinary equity. In practice, however, entities in the exploration, development or start-up phase frequently award directors options or performance-based grants that fall short of that standard, reintroducing the very independence risk the Recommendation is designed to guard against. The Explanatory Materials rightly call for an entity to assess the risks introduced by any such alternative arrangement and to provide an 'if not, why not' explanation where one is in place. That explanation is often missing in practice, and requiring it would materially improve disclosure.

Meaningful security ownership by non-executive directors helps align their interests with those of security holders, and disclosure of an entity's approach to such ownership is a welcome addition.

GLASS LEWIS

Question 8

Are there additional areas of corporate governance that have evolved since the 2019 edition that could be addressed in the next edition, or that the Advisory Group on Corporate Governance could further focus on following the release of the next edition?

Glass Lewis response:

1) The Consultation Paper does not distinguish between directors who are non-independent by virtue of their association with a significant shareholder and those who are non-independent because of other conflicts of interest. A director associated with a significant shareholder may often be more closely aligned with the interests of minority shareholders than an independent director. This is on the basis that both significant and minority shareholders are shareholders, while an independent director may not be. Glass Lewis considers this distinction worth exploring further, including whether such directors should be treated differently when assessing appropriate board subcommittee composition.
2) The proportion of women CEOs and executives has plateaued at around 25% across the market, with little movement since 2020–21.[1] Glass Lewis considers that this warrants further exploration, and potentially a recommendation on setting and reporting progress against gender diversity targets at executive level.
3) The Consultation Paper removes the suggested executive remuneration guidelines from the Explanatory Material entirely, leaving Principle 8 materially thinner than the 4th edition and without guidance on remuneration structure. Glass Lewis does not object to the removal of detailed structural guidance, which is consistent with the Consultation Paper's intention to avoid prescription. However, Principle 8 could be strengthened by a number of high-level principles to guide remuneration committees. Most relevant would be a principle that executive remuneration should support alignment between executives and security holders, including through meaningful security ownership. That alignment depends on the holding being retained, and executive share sales have accordingly drawn growing investor scrutiny, particularly where an executive disposes of a significant proportion of a holding shortly after vesting.
4) Board responsiveness to shareholder feedback is another area that warrants further exploration. Boards should give appropriate consideration to material feedback, including significant voting opposition, and disclose how they have done so. Practice varies considerably: a substantial vote against a resolution is sometimes followed by a clear account of the concerns raised and the board's response, and sometimes by nothing at all. Glass Lewis considers that entities should be encouraged to disclose, following any resolution attracting significant opposition, the steps taken to understand the reasons for that opposition and any action taken in response.

[1] Duncan, A., Sotirakopoulos, P. and Vu, L., *Gender Equity Insights 2025: The Power of Balance*, BCEC|WGEA Gender Equity Insights Series, Issue #10 (October 2025), available at bcec.edu.au/publications/gender-equity-insights-2025-the-power-of-balance.