

# Corporate governance statement

The eight core principles of the ASX Corporate Governance Council's (ASXCGC) *Corporate Governance Principles and Recommendations* (4th edition) (Principles and Recommendations) apply to listed companies. Governance Institute of Australia Ltd (Governance Institute) is not a listed company and is not obliged to report against these principles and recommendations. However, as the leading governance education and membership organisation, we do so as part of our commitment to advancing good corporate governance.

Governance Institute's Board (consolidated with the ICSA Committee for Australia (National Council) in 2009 to achieve improved efficiency and cost effectiveness) is, therefore, committed to report its governance structure against the ASXCGC Principles and Recommendations.

On 27 February 2019, ASXCGC released the fourth edition of the Principles and Recommendations, which Governance Institute has chosen to adopt.

In its support of the ASXCGC guidelines, Governance Institute affirms the 'if not, why not' disclosure approach to governance recognising that there is no 'one-size-fits-all' solution. The Board believes that its corporate governance structure and practices should be an example of sound practice for an organisation of its type and, as far as possible, for corporations generally.

The Board, therefore, keeps all areas of Governance Institute's governance under ongoing review, in order to provide leadership by example in this crucial area of corporate responsibility and accountability. It particularly monitors any area of business risk that is identified and ensures appropriate control strategies are in place and properly managed.

As at 31 December 2018, and to the date of the signing of this report, the position of Governance Institute is as follows:

## Principle 1: Lay solid foundations for management and oversight

In accordance with the Board Charter, the Directors' responsibilities include determining and reviewing the company's strategic direction and operational policies; establishing goals for management and monitoring the achievement of these goals; reviewing and approving the company's annual business plan; providing leadership to management; appointing, monitoring and remunerating the Chief Executive Officer (CEO); recommending the appointment of the auditor to members; approving the appointment and remuneration of all senior executive staff; approving all significant business transactions, including acquisitions, divestments and capital expenditure; monitoring business risk exposures and risk management systems; and approving and monitoring financial and other reporting to members.

The Board conducts an annual self-evaluation process to measure its own performance.

The performance of the Board committees during each financial year are undertaken by self-assessment with the chair of each of those committees presenting to the Board the results of those self-assessments.

The CEO is accountable to the Board for the management of the company within the policy and authority levels prescribed in the Board Charter and the company's business plan, which is reviewed and approved by the Board each year.

The CEO has the authority to approve capital expenditure and business transactions within predetermined limits set by the Board.

The CEO's responsibilities include ensuring business development activities are in accordance with the company's overall business strategy; ensuring the company conducts its affairs within the law and abides by the company's Code of Conduct (which is comprised of the Employee Code of Conduct, Members' Code of Ethics and Workplace Values and Business Practice); keeping the Board informed of all major business proposals and developments by way of specific reports; and, within limits set by the Board, approving the remuneration levels and bonus payments of all personnel.

The Chief Operations Officer (COO) is responsible for maintaining financial control across the company. In this role, the COO is responsible for overall company management reporting, statutory accounting, compliance, auditing, treasury, taxation, insurance, monitoring of financial performance and planning, allocation and management of financial resources throughout the company, ensuring that appropriate financial reporting is provided to the Board on a monthly, quarterly and annual basis, and monitoring the company's risk management framework to ensure that established policies, guidelines and controls are implemented through a scheduled program of audits and reviews, the statutory compliance obligations are met, and the investment policy strategy is implemented and maintained.

The Board monitors the performance of the company's key executives by reviewing the company's financial performance and revised forecast results on a quarterly, half-yearly and annual basis. Detailed presentations are also made by the CEO and her direct reports during business planning/strategy review

meetings, which are convened annually and held over a two to three-day period.

Regular performance management reviews between the CEO, direct reports and all other staff against job description and key performance indicators are conducted on an annual basis and are assessed at least biannually. The targets contained within the strategic plan are linked to the key performance indicators of staff.

Senior executives and their total compensation are listed in the annual report.

They consist of the CEO and the executive management team comprising executive managers.

The Board and CEO support a staff incentive and retention program included and approved in the annual budget. Senior staff attend selected conferences and executive development training is provided where appropriate. On a discretionary basis, tertiary or postgraduate study by selected senior and middle-level staff may be reimbursed upon successful completion.

Additionally, independent research and surveys of all staff, the Board and the CEO have been conducted a number of times with regard to the human relations, organisational culture and leadership of Governance Institute in respect of team functioning, job satisfaction and general HR practices. 'Health and wellness' checks on the performance and motivation practices within the company have led to initiatives being undertaken to try and develop staff career training and advancement, as well as an employee assistance program to deal with confidential staff inquiries.

Even as a small organisation of 50 employees, Governance Institute has developed, implemented and will measure key initiatives, objectives and achievements to promote diversity in the organisation and support the aims of the diversity policy. These will be reviewed on a regular basis.

Governance Institute, in referring to the use of the phrase 'gender equality', supports the meaning whereby people are able to access and enjoy the same rewards, resources and opportunities regardless of whether they are a woman or a man.

This is supported by the definitions used in the National Workplace Gender Equality Agency and the *Federal Workplace Gender Equality Act 2012*.

Our objectives include:

- gender equality in the governance of the organisation
- diversity of experience, thought and skill set on the Board
- gender pay equity
- supportive and flexible work practices
- fostering a culture conducive to respect and substantive equality
- providing practical guidance to organisations to assist them to develop diversity policies and implement measurable targets.

The company discloses in its annual report the proportion of men and woman on the Board, in senior executive positions and across the whole organisation, as indicated on pages 18 and 19 of the annual report.

Governance Institute also provides details on the diversity of our workforce by gender and age on page 18 of the annual report. As can be seen, Governance Institute has a diverse workforce.

Governance Institute also proactively supports the requirement for listed entities to report against the recommendations in the ASXCGC's Principles and Recommendations by developing intellectual property to assist companies to improve gender balance within their organisations. We published a Good Governance Guide setting out the issues to consider when developing a diversity policy, including practical initiatives that can be implemented to assist in setting measurable targets for improving gender balance at the senior executive level.

## Principle 2: Structure the Board to add value

The company presently has eight non-executive Directors.

All Directors are members of Governance Institute and are on the National Council. The names of the Directors of the company in office at the date of this statement, including the duration of each Director's tenure, are set out in the Directors' report and the notes to the financial statements.

There are no executive Directors.

In addition, the Board has adopted a number of measures to ensure that independent judgment is achieved and maintained. Directors are entitled to seek independent professional advice at the company's expense, subject to the prior approval of the Chair and the relevant policy. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic. The Board confers on a scheduled or regular basis without management in attendance.

Induction days designed for newly appointed Directors, senior executives and all newly appointed staff are held as required. The induction kits contain comprehensive information in respect of all constitutional documentation, service agreements, reimbursement, travel, directors' and officers' insurance policies, risk management policies, strategic plans, the company's financial position, organisational charts of business and management structure and meeting arrangements, as well as the respective rights, duties and roles of the Board and senior executives. A brand identity guideline is also included that promotes the culture and values of the company. Directors are encouraged to interact with each other, senior executives and other stakeholders.

The induction process is designed to allow new Directors and senior executives to participate fully and actively in decision making at the earliest opportunity.

Professional development opportunities are provided by way of attendance at major events and national conferences. Directors, as members are also required to maintain their level of compulsory professional development activity. CPD is compulsory for all Governance Institute Fellow, Associate and Affiliated members.

Six Directors are elected directly by members on a rotational basis, with each current Director bringing a range of complementary skills and experience to the company as indicated on pages 27–29 of the Directors' report in the annual report. There are up to two additional Directors that may be appointed by the Board. This assists the Board in its ability to broaden the skills and diversity on the Board. The remaining four Directors are the President, appointed by the Board from amongst its number, and up to three past presidents, these persons having previously been elected by members as State Representatives. Where possible, the Board will seek to utilise a matrix of skills, diversity and experience that looks at influencing Board composition to reflect and represent the diverse array of members that the Institute attracts and the organisation types they work within, as well as the services that the Institute provides its members, such as experience in advocacy, training, education, publishing and communication.

All elections for Directors are preceded by a call for nominations. The Notice of Meeting states the process and whether a person has been elected unopposed or re-elected or not.

Candidates are put forward for election in alphabetical order of their names.

In the event of an election, the Board may by resolution from time to time make rules or other decisions about candidates' statements and communications and any other matter relating to the election in respect of which a decision is required.

Directors terms of appointment to office are governed by clause 15.6 of the Constitution for the election of Directors by members and resolution of the Board of Directors in respect of Appointed Directors for vacant positions.

In the case of senior executives, Letters of Appointment refer to terms of their appointment.

As an unlisted entity representing members interests, and as all Directors have thus far been members, they are required to be of good character and standing and agree by declaration to abide by the Members' Code of Ethics. They are also subject to the disciplinary rules of the Institute and Company. In terms of the Constitution and qualifications, in addition to the circumstances which disqualify a person from managing a corporation according to the *Corporations Act 2001* (the Act), no person who has been an insolvent under administration within the previous five years is eligible to become a Director. The Board considers that these are appropriate checks for the purposes of the recommendation.

To assist the Board in discharging its responsibilities, it has established a number of Board committees, including the Board Executive; Remuneration; and Risk, Audit and Finance Committees, comprised of non-executive Directors.

It has also established a number of advisory committees, including Communication; Education; and Policy committees, comprised of non-executive Directors and non-Board members. Each of these committees has mandated operating procedures that are governed by their respective charters, as is the Board, by its own Charter. These charters can be viewed at [www.governanceinstitute.com.au/charters](http://www.governanceinstitute.com.au/charters)

It is the Board's policy that Board committees and their Chairs are appointed by the Board. The Board Executive; Remuneration; and Risk, Audit and Finance Committees are comprised solely of independent non-executive Directors, who are entitled to obtain independent professional or other advice at the cost of the company as per the policy on Directors' access to professional advice, and to such resources and information from the company, including direct access to employees of and advisers to the company, as they may require.

The company's Chair is considered by the Board to be independent in terms of the ASXCGC's list of factors regarding independent directors.

Governance Institute is a professional association of members, with most of its Board elected or appointed from amongst its members. Each Director, other than the Chair and the two Appointed Director positions, must be a member of the company. The Constitution at clause 18.1 governs payments to Directors, while clause 19 governs notification of any material personal interest in a contract. Notwithstanding Directors being members of the company, the Board is of the opinion that it does not compromise the independence of such Directors. Currently all Directors are members and considered independent.

The company's Chair and CEO have separate roles. The Chair is responsible for leading the Board in the discharge of its duties while the CEO is responsible for implementing the strategic and business plan of the company.

An annual review is presented to the members at the annual general meeting (AGM) of National Council and National Council reviews the performance of its service agreement.

An independent Nomination Committee has been established by National Council. Since the consolidation of the National Council and Board in 2009, the Nomination Committee has for the most part focused on succession planning in relation to the honorary officers. The role of the Nomination Committee is carried out by the Board Executive Committee.

The Company Secretary is accountable to the Board, through the Chair, on all governance matters. Directors have direct access to the Company Secretary, whose appointment and removal is a decision by the Board as a whole. The Company Secretary supports the effectiveness of the Board by monitoring and reporting that Board policy and procedures are followed.

### Principle 3: Act ethically and responsibly

It is the policy of Governance Institute to conduct business according to the highest standards of honesty, integrity, respect and fairness when dealing with all its members, customers and employees. Employees are also required to meet these high standards. Governance Institute's Members' Code of Ethics, which is set out on page 49 of the annual report, applies to staff as well as members.

The company takes seriously its obligations to comply with all federal, state and local government laws and regulations, as well as common law obligations, and again requires all employees to do the same as specified in the company's Code of Conduct.

The company is a non-listed, not-for-profit (NFP) company limited by guarantee under the Corporations Act and as such there is no trading in company securities.

Governance Institute's objective is the promotion and advancement of effective governance and administration of organisations in the private, public and NFP sectors through the continued development and application of good corporate governance and administrative practice. To aim that this occurs, the company conducts its business within the Code of Conduct that documents and outlines the company's core values, which are to:

- act with integrity and fairness
- recognise the needs of the members
- protect the environment
- be commercially competitive
- foster a performance-driven culture
- encourage innovation and technological leadership.

#### **Principle 4: Safeguard integrity in corporate reporting**

Governance Institute's CEO and COO report in writing to the Directors, the Risk, Audit and Finance Committee and the auditors that the financial statements of Governance Institute for the full financial year present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with the Australian Accounting Standards, applicable approved accounting standards and the appropriate disclosures of all information required by statute.

Governance Institute is committed to providing an integrated report to members that is clear and unambiguous about the company's structure, operations and performance. Our objective is to provide insight to our members and other stakeholders that the company is fulfilling its mission to improve governance practice in all sectors through the provision of education, advocacy and intellectual property, and that it is being managed prudently for the benefit of our members.

The prototype framework for integrated reporting is principally aimed at the providers of financial capital in order to support their investment decisions. However, as Governance Institute is an NFP organisation dedicated to the public good of delivering accredited education and the most practical and authoritative training and information in governance we have not rigidly applied the six capitals of integrated reporting to our disclosures.

We have tried to provide members and stakeholders with a holistic picture of how the organisation is fulfilling its purpose and being governed. Integrated reporting is about 'telling the organisation's story' to members and other stakeholders, by providing empirical data that we can report on year on year. We have reported against the underlying principles of integrated reporting, which are to make disclosures that accommodate the complexity of financial, management commentary, governance, remuneration and sustainability reporting.

Likely developments in the operations of Governance Institute and the expected results of those operations in future financial years are disclosed in the Chair and CEO's integrated reports.

The principal functions of the Risk, Audit and Finance Committee are governed by its charter which is on Governance Institute's website at [www.governanceinstitute.com.au/charters](http://www.governanceinstitute.com.au/charters). Its responsibilities are to assist the Board in the discharge of its responsibilities in respect of the preparation of the company's financial statements, through the review and consideration of those statements and the company's internal financial controls; make recommendations to the Board regarding the appointment of external auditors to meet the terms of the auditor rotation policy; review the scope of the audit, the level of audit fees and the performance of the external auditors; provide a line of communication between the Board and the external auditors; review the external auditors' evaluation of internal controls and management's response; and to monitor the risk management processes and framework and risk register, as well as other financial functions.

Membership of the committee consists of independent non-executive Directors. Details of their attendance at committee meetings are set out in the Directors' report.

#### **Principle 5: Make timely and balanced disclosure**

The company is not a listed company and is not subject to ASX Listing Rules disclosure requirements. The company does, however, report to its members in the form required by the Act and discloses significant information on a continuous basis as detailed below and in its integrated report. Governance Institute's objective is the promotion and advancement of effective governance and administration of organisations in the private, public and NFP sectors through the continued development and application of good corporate governance and administrative practice.

#### **Principle 6: Respect the rights of security holders**

The company does not have security or shareholders, but has members.

The company's member communication policy provides for communication with members and other stakeholders in an open, regular and timely manner so that members have sufficient information to make informed decisions on the operations and results of the company. The policy provides for the use of systems involving communiqués and technologies that ensure a regular and timely release of information about the company to members. The mechanisms employed include:

- regular member communications such as the monthly journal *Governance Directions* incorporating the President's commentary, CEO Memo, international governance developments, Acting for You on advocacy activity and Members' benefits

- the annual integrated report, provided to members prior to the company's AGM according to their choice, with notice given to all members of its availability on Governance Institute's website
- providing information about the last five years' annual reports and financial data on the website
- placing the full text of notices of meeting and explanatory material on the website
- member access to information and updates through the bi-monthly e-newsletter, *Governance Institute News Update*, other ecommunications and Governance Institute's website.

The Board encourages full participation of members at the company's AGM to ensure a high level of accountability and understanding of the company's strategy and goals. Important issues are presented to members as single resolutions. If unable to attend, members are encouraged to appoint proxies to express their views through directed proxies at the AGM.

The Board also presents an annual Year in Review Report to members at the AGM of National Council, which is also published in full in the journal.

Governance Institute's practice is to ensure that the company's external auditor is available at the AGM to answer members' questions.

## Principle 7: Recognise and manage risk

The Board is responsible for the oversight of the company's risk management and control framework. Major exposures for the company are highlighted in Governance Institute's business risk profile, which covers areas including operational, reputation, regulatory, contractual, financial, information, strategic, economic, environmental and social responsibility risks. In order to meet its long-term objectives, the company strives to see that Australia's governance frameworks lead the world in facilitating a strong economy underpinned by responsible performance.

Advocacy plays an important role in ensuring that our members' expertise and knowledge contributes to the development of public policy that supports the long-term economic growth and social benefit of the nation. Our focus is always on working toward public policy that drives responsible performance in all sectors. Our leadership and influence through our social responsibility can be viewed in our 2018 annual report at pages 16 and 17.

The company has implemented a risk management policy framework, including a risk register, designed to ensure that the company's material business risks are identified, analysed, evaluated and treated and that controls are in place, adequate and functioning effectively. This framework incorporates the maintenance of comprehensive policies, procedures and guidelines. It covers areas such as business continuity management, CEO's office, education and training, finance and administration, marketing, membership, policy, publishing, reputation and strategic risks, states' service delivery, strategic market product and development risks, social media and special projects such as the new website. The risk management policy can be viewed at [www.governanceinstitute.com.au/charters](http://www.governanceinstitute.com.au/charters)

Responsibility for control and risk management is delegated to the appropriate level of management within the company with the CEO having ultimate responsibility to the Board for the risk management and control framework.

As with all organisations relying on funds from operations, any economic downturn could lead to an economic exposure to its surplus funds and diminution of reserves.

Each year, the Board and senior staff meet for a strategy workshop meeting to review progress, assess the external, social and business environment and based on evidence develop broad plans for the organisation.

The company has worked to maintain financial health and sustainability of the organisation, by growing and diversifying revenue streams and developing products that meet changing needs.

The main risks that the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. To help reduce these risks, Governance Institute has a liquidity policy in place which requires minimum average levels of cash and cash equivalents to be maintained.

Governance Institute's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory. However, its Code of Business Conduct and Ethics documents outline the company's core values, which amongst others, are to protect the environment.

In order to meet its long-term objectives, the company will strive to see that the organisation is strategically focused on being innovative, encouraging positive engagement with all stakeholders and fostering a culture and values that ensure it is sustainable.

As Governance Institute is a professional services organisation that develops and disseminates knowledge, its human capital is critical to its sustainability. The culture of the organisation is a balance between being an NFP organisation and member focused while at the same time incorporating many of the features of a performance-oriented business.

Governance Institute does not have an internal audit function. Directors have considered that due to the size of the company it would not be practical or economic to sustain an internal audit function. The external auditors, as part of their audit function, test key financial controls over banking and other business processes, including appropriate segregation of duties, applicable to an organisation of the size of the company.

However, arrangements put in place by the Board to monitor risk management include regular reporting to the Board in respect of operations and the financial position of the company; reports by the Chair of the Risk, Audit and Finance Committee and circulation to the Board of the minutes of each meeting held by that committee; attendance and reports by the internal directors of the company's main business units at Board meetings on at least an annual basis; and presentations made to the Board or committees of the Board throughout the year by appropriate members of the company's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk.

In addition, annual peer reviews are undertaken by the senior management in respect of areas of responsibility, to ensure that all business risks and mitigating strategies in respect of those risks are updated as a result of changing business strategies.

All staff are inducted or updated with the risk management policies and risk register components.

Governance Institute's CEO and COO have provided the Directors with the statement required under s 295A of the Act and have provided written assurance to the Directors and the external auditors that the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

## Principle 8: Remunerate fairly and responsibly

As the company is not a listed company and does not have shares or shareholders (only members), there are no equity based remuneration payments or schemes which involve the issue of new shares.

A program of regular performance appraisals and objective setting for senior management and other staff is in place. The Board established the Remuneration Committee in 1999. At the present time the Remuneration Committee comprises the Board Executive and past President, and its principal functions include reviewing and approving the remuneration of the CEO and senior executives of the company, and reviewing and making recommendations to the Board regarding the remuneration policies and practices for the company generally, including participation in the incentive plan and other benefits.

Directors do not receive remuneration for services as Directors, but a Director is entitled to be paid all travelling and other expenses properly incurred by that Director in connection with the affairs of the company, including attending and returning from general meetings, meetings of the Directors or of committees of Directors or other committees of the company, meetings of National Council and of ICSA, or any of its committees, bodies or activities.

The company may advance money to a Director for any such purpose, which must be appropriately accounted for, and any balance refunded.

No Director of Governance Institute, during or since the end of the financial year, received or has become entitled to receive a benefit by reason of a contract made by Governance Institute or by a related body corporate of one of the Directors or with a firm of which they are a member or with a company in which they have a substantial financial interest, other than as disclosed in related-party transactions at Notes 6 and 16 of the Financial Statements.

Governance Institute being limited by guarantee, none of the Directors holds an interest but each, as a member of Governance Institute, is liable to the extent of their undertaking under Governance Institute's constitution.

Governance Institute pays premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of Governance Institute other than conduct involving a wilful breach of duty in relation to Governance Institute.

Premiums were paid for each of the Directors specified in the Directors' report on page 29 of the annual report. The insurance contract entered into by Governance Institute prohibits disclosure of the nature of the liabilities insured by the insurance contract and the amount of the premiums.

Governance Institute's constitution allows for the inclusion of indemnities in favour of persons who are or have been a Director or officer of Governance Institute. To the extent permitted by law, Governance Institute indemnifies every person who is or has been a Director or officer against any liability to any person incurred while acting in that capacity in good faith and against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters and operates to the extent that the loss or liability is not covered by a valid and current insurance policy. The company has executed a deed of indemnity, insurance and access agreement with each of the Directors and senior officers of the company.