

Corporate Governance Statement

Governance of the Australian Institute of Company Directors (AICD) is founded on the AICD's Constitution, By-laws and Charters.

The Board

The Board is responsible for the overall corporate governance of the AICD. Its powers are referred to in the AICD's Constitution. The objectives and responsibilities of the Board are set out in the Board Charter. The Board Charter is reviewed annually by the Board. The adoption of any proposed changes to the Constitution is subject to the approval of the membership at a general meeting. The Constitution and the Board Charter are available on the AICD's website.

Composition of the Board

The Board is to consist of not less than three and not more than twelve Directors, comprised of not less than two and not more than four National Directors, seven Division Directors, and a Chief Executive Officer ("CEO") who may be appointed as a Director by the Board. The Board currently consists of four National Directors and seven Division Directors. The Acting CEO is not a director. The Board and each Division Council agree who will be nominated for appointment to the Board as a Division Director. The Board elects the Directors. The Board also elects the Chairman of the Board. Further detail on the process for appointment of Directors can be found in the Constitution and the Board Charter.

Non-executive Board Remuneration and Tenure

National Directors and Division Directors must be members of the AICD and do not receive any remuneration for their services to the AICD. National Directors may serve for two terms each of up to three years, and each Director (other than the CEO if applicable) may serve up to six years in total, unless elected as Chairman, in which case they may serve up to nine years in total.

No National or Division Director has received or become entitled to receive a benefit from the AICD during or since the end of the financial year as a result of a contract with the director, a firm of which he or she is a member, an entity in which he or she has a substantial financial interest, or an entity related to or controlled by the AICD.

Role of the Board

The Board's role includes setting and periodically reviewing the strategic direction, and monitoring organisational and financial performance.

The Board and the Chief Executive Officer

The Board is responsible for the appointment and regular assessment of the performance of the CEO. The CEO's role is to lead the organisation. The CEO develops a business strategy in collaboration with the senior management team with input from the Strategy Committee as determined by the Board, and implements it once it is approved by the Board. The CEO and the Board are responsible for the culture of the AICD. The CEO is responsible for financial management and control.

The Board determines the CEO's performance goals and remuneration, and assesses the CEO's performance, on advice from the Human Resources and Remuneration Committee.

Board Committees

To improve its efficiency and effectiveness, the Board has established a Strategy Committee, an Audit, Risk and Compliance Committee, Human Resources and Remuneration Committee, an Investment Committee, a Nominations Committee and a National Membership Committee. In addition, the AICD is advised on policy matters by several advisory committees of senior practising directors (including a member of the Board) and technical experts. The Board approves the Terms of Reference of these committees and reviews their membership periodically.

Strategy Committee

The Board is responsible for setting the strategic objectives of the AICD and overseeing management's implementation of the AICD's strategic objectives. The Strategy Committee's role is to assist the Board as required from time to time by contributing to the development of the AICD's strategic objectives, in conjunction with management, and the appropriate monitoring of their implementation.

The Strategy Committee comprises no less than three Directors, at least one of whom shall be a National Director.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee reviews and monitors the risk management and compliance program and the financial systems operating within the AICD. It provides a link between the Board, the external auditors and management.

The Committee reviews and monitors procedures to safeguard the AICD's assets and interests, including accounting and financial reporting, and compliance with applicable laws, regulations, standards, and best practice guidelines. It oversees the continuing independence of the external auditor.

The Audit, Risk and Compliance Committee comprises the Chairman of the Committee and at least two other Directors and such other parties as nominated by the Board.

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Human Resources and Remuneration Committee

The objectives of the Human Resources and Remuneration Committee are to assist the Board to discharge its corporate governance responsibilities to exercise due care and diligence and skill in relation to:

- Oversight of human resources strategies to foster quality of management practices;
- The setting of key performance areas for the CEO and the regular review of the CEO's performance;
- Oversight of executive and staff remuneration and benefits to recognise contributions to the business by staff and to reward these appropriately;
- Oversight of staff policies and procedures, including superannuation, diversity and a code of conduct; and
- Oversight of compliance with applicable laws and regulations.

The Human Resources and Remuneration Committee comprises the Chairman of the Committee and at least two other Directors in each case as appointed by the Board.

Nominations Committee

The objectives of the Nominations Committee are to:

- Identify and recommend candidates to fill vacancies occurring at the end of National Directors' tenure;
- Consult with Division Councils to agree the nominees for the role of Division Director and their tenure;
- Review the Board's skills matrix; and
- Manage casual vacancies.

The Nominations Committee comprises the Chairman of the Board who acts as Chairman of the Committee and at least two other Directors appointed by the Board.

Investment Committee

The objectives of the Investment Committee are to:

- Develop and recommend to the Board the investment strategy for the AICD including the risk and return profile, and strategic asset allocation;
- Adopt, periodically review and revise the Investment Policy Statement; and
- Oversee the implementation of the investment strategies approved by the Board, including the performance of any investment manager.

The Investment Committee comprises the Chairman of the Committee and at least two other Directors in each case as appointed by the Board.

National Membership Committee

The Board established a National Membership Committee in June 2017. The primary objective of the Committee is to provide recommendations to Membership Committees in each Division and the Board on matters concerning membership of the AICD. The National Membership Committee comprises the Chairman of the Committee and at least two other Directors (one of whom must be a National Director). The members of the Committee at the date of this report are David Bayes FAICD (Chairman), Michael Coleman FAICD and Kee Wong FAICD. The Committee will first meet in FY18.

Division Councils

There are seven Division Councils. Each Division Council has between five and ten Councillors. Each Council elects a President. The rules for election and retirement of Division Councillors are set out in the By-laws, available on the AICD's website.

Division Councils are advisory in nature and perform the following functions as delegated to them by the Board:

- 1) Advise the Board and CEO on:
 - a) Policy matters affecting the role of directors;
 - b) Membership matters; and
 - c) The strategy and policies of the AICD and management issues that may arise from time to time;
- 2) Administer the membership of the Division, approving new members and membership class upgrades;
- 3) Represent the views and aspirations of the AICD in the Division's territory and develop relationships with leaders in directorship, regulation and politics who reside, or are active in the relevant State or Territory; and
- 4) Support the State Manager with regard to:
 - a) Events;
 - b) Member services, member recruitment and retention and member grade matters; and
 - c) The general conduct of the Division, including Education programs and Director Professional Development.

The State Managers' reporting line is through the General Manager Members & Directors to the CEO. The Division Council Charter is available on the AICD's website.

Adherence to Ethical Standards

The AICD's members agree to be bound by the principles contained in the Code of Conduct. A copy of the Code is provided to all members. The principles call for honesty, due care and diligence, and adherence to the spirit, as well as the letter, of the law.

The AICD has in place values to guide staff in their decisions. The values are:

- True Professionalism;
- Positive Influence;
- Powerful Together;
- Dynamic Performance; and
- Lasting Impact.

Principle/recommendation		Description/reference of disclosure/ compliance
Principle 1	Lay solid foundations for management and oversight	
Recommendation 1.1	A listed entity should disclose: (a) The respective roles and responsibilities of its board and management; and (b) Those matters expressly reserved to the board and those delegated to management.	Refer to Articles 3(a) and 5.2 of the Board Charter. The Board Charter is disclosed on the AICD's website. Refer to Articles 3(a) and 5.2 of the Board Charter.
Recommendation 1.2	A listed entity should: (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Prospective directors are evaluated against a skills matrix prior to appointment. Prospective directors also undergo checks in the process of becoming a member of the AICD or the Board. Directors are elected by the Board as provided in the AICD's Constitution.
Recommendation 1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Each director is appointed pursuant to a written agreement setting out the terms of appointment of the director.
Recommendation 1.4	The company secretary of a listed entity should be accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.	The AICD's company secretary is accountable to the Board, through its chairman, in relation to the proper functioning of the Board.
Recommendation 1.5	A listed entity should: (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) Disclose that policy or a summary of it; and	The AICD has a diversity policy which states that the Board will establish measurable objectives for achieving diversity and assess annually the progress in achieving them. The AICD's diversity policy is disclosed on the AICD's website.

Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition

Principle/recommendation	Description/reference of disclosure/ compliance
Recommendation 1.5 (continued)	<p>(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or</p> <p>(2) If the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators' as defined in and published under that Act.</p> <p>The AICD has set the following measurable objectives for gender diversity:</p> <ul style="list-style-type: none"> • Board: Maintain or exceed 30% female representation; • Executive: Maintain or exceed 30% female representation; and • Division Councillors: Maintain or exceed 30% female representation. <p>The proportion of women as most recently reported by the AICD to the Workplace Gender Equality Agency is as follows:</p> <ul style="list-style-type: none"> • Board members: 55%; • Key management personnel: 50%; • Senior management: 42%; • Other management: 65%; • Non-management: 78%; and • Whole organisation: 71%.
Recommendation 1.6	<p>A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> <p>The Nominations Committee is responsible for annually evaluating and reporting to the Board on the performance and effectiveness of the Board, its Committees and individual Directors. The Committee is authorised to obtain professional advice in relation to the scope of its responsibilities. The Committee seeks appropriate professional advice in undertaking the annual performance evaluation.</p> <p>A performance evaluation was undertaken in accordance with this process in the reporting period.</p>
Recommendation 1.7	<p>A listed entity should:</p> <p>(a) Have and disclose a process of periodically evaluating the performance of its senior executives; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> <p>The Acting CEO has undertaken an evaluation of the performance of senior executives through the Performance Management Process, which is a process approved, overseen and monitored by the Human Resources and Remuneration Committee.</p> <p>Details of this process are disclosed on the AICD's website.</p> <p>A performance evaluation was undertaken in accordance with the process described above in the reporting period.</p>

Principle/recommendation		Description/reference of disclosure/ compliance
Principle 2	Structure the board to add value	
Recommendation 2.1	<p>The board of a listed entity should:</p> <p>(a) have a Nominations Committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a Nominations Committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board has a Nominations Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website.</p> <p>The members of the Committee as at 30 June 2017 are:</p> <ul style="list-style-type: none"> • Elizabeth Proust AO FAICD (Chairman); • Dr Sally Pitkin FAICD; and • Gene Tilbrook FAICD.
Recommendation 2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The AICD uses a board skills matrix to assess the skills and diversity of the Board. This is disclosed in the Directors' Report.</p> <p>Biographical details of each director are available on the AICD's website.</p>
Recommendation 2.3	<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	<p>The AICD is a membership organisation comprising seven divisions with each division having a division council which acts as an advisory body. A member of each division council is appointed to the Board as a Division Director.</p> <p>The independence of directors is considered as part of the appointment process. Directors are also required to disclose changes to their interests and positions as they arise.</p> <p>In relation to Division Directors, the Board is of the opinion that holding the position of division councillor provides the Division Directors with specific insights to their local divisions which is valuable to the Board's deliberations but does not compromise the independence of the director.</p> <p>All National and Division Directors are considered by the Board to be independent directors.</p> <p>The length of service of each of the directors as at 30 June 2017 is shown in Note 16 of the Financial Report.</p>

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Principle/recommendation		Description/reference of disclosure/compliance
Recommendation 2.4	A majority of the board of a listed entity should be independent directors.	With the exception of the CEO (if applicable), the Board is comprised of independent directors.
Recommendation 2.5	The chairman of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The chairman of the Board is an independent director and is not the same person as the CEO.
Recommendation 2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Directors take part in an induction program on commencement as a director of the AICD. Professional development opportunities are available to all directors.
Principle 3	Act ethically and responsibly	
Recommendation 3.1	A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	<p>The code of conduct for directors is contained with their letter of appointment and handbook approved by the Board from time to time. Together these documents explain the standard of behaviour and approach in relation to the directors' legal requirements including confidentiality and conflicts of interest.</p> <p>The code of conduct for senior executives and employees is contained within the Standards of Conduct Policy. The Standards of Conduct Policy sets out obligations of duty of care to ensure that the highest standards of professional and personal conduct are maintained at all times.</p>

Principle/recommendation		Description/reference of disclosure/compliance
Principle 4	Safeguard integrity in corporate reporting	
Recommendation 4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chairman of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board has an Audit, Risk and Compliance Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website.</p> <p>The members of the Committee as at 30 June 2017 are:</p> <ul style="list-style-type: none"> • Michael Coleman FAICD (Chair); • David Bayes FAICD; • Kathy Gramp FAICD; and • Roderick Roberts FAICD. <p>The relevant qualifications and experience of the members of the Committee are outlined on the AICD's website.</p>
Recommendation 4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>Prior to approving the AICD's financial statements for a period, the Board receives such a declaration from the CEO and the CFO.</p>
Recommendation 4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The AICD's external auditor is invited to attend the AICD's Annual General Meeting (AGM) and be available to answer questions from members in relation to the audit.</p>
Principle 5	Make timely and balanced disclosure	
Recommendation 5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The AICD is not an ASX disclosing entity but does report to its members annually on its operations and financial results.</p>

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Principle/recommendation		Description/reference of disclosure/compliance
Principle 6	Respect the rights of security holders	
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	The AICD provides information about it and its governance on its website, in particular the 'About our governance' page.
Recommendation 6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The AICD is a membership organisation. Communication with members includes regular email newsletters, <i>Company Director</i> magazine, an annual financial report, information published on the AICD website, posts shared on social media platforms and conversation in face-to-face meetings.
Recommendation 6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The AICD's members are invited to the AICD's AGM. In accordance with the AICD's Constitution the chairman of the AGM (who is the chairman of the Board) is responsible for the general conduct of the meeting and for the procedures to be adopted at the meeting. Time is designated during the meeting for questions by members and the chairman or a delegate will encourage and coordinate questions from members.
Recommendation 6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The AICD provides members the option to receive communications from, and send communications to, the AICD electronically.
Principle 7	Recognise and manage risk	
Recommendation 7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Board has an Audit, Risk and Compliance Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website.</p> <p>The members of the Committee as at 30 June 2017 are:</p> <ul style="list-style-type: none"> • Michael Coleman FAICD (Chair); • David Bayes FAICD; • Kathy Gramp FAICD; and • Roderick Roberts FAICD.

Principle/recommendation	Description/reference of disclosure/compliance
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> (a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	<p>The Audit, Risk and Compliance Committee has responsibility for reviewing the AICD’s risk management framework at least annually to satisfy itself that it continues to be sound.</p> <p>The Committee considers a risk report at each meeting of the Committee. The report is prepared in line with the AICD’s risk management framework including the risk management policy and risk appetite statement. The risk management policy and risk appetite statement will be reviewed in FY18.</p> <p>The AICD risk management policy is available on the AICD’s website.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>The AICD has an internal control review function which is considered appropriate for the scale and complexity of the AICD’s operations. The AICD assesses this position from time to time.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Audit, Risk and Compliance Committee has responsibility to monitor the practice and effectiveness of the AICD’s risk management process including material exposure to and management of economic, environmental and social sustainability risks.</p> <p>The AICD considers that it does not have a material exposure to such risks, i.e. that there is not a real possibility that economic, environmental or social risks could substantively impact the AICD’s ability to create or preserve value for members over the short, medium or long term.</p> <p>There is a risk that broader economic factors or a prolonged economic downturn may affect membership subscription numbers and Company Directors Course™ revenue. However, the AICD does not consider at the time of this report that this risk is likely in the short term to materially affect the provision of services to its members.</p>

Principle/recommendation	Description/reference of disclosure/compliance	
Principle 8	Remunerate fairly and responsibly	
Recommendation 8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has a Human Resources and Remuneration Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website.</p> <p>The members of the Committee as at 30 June 2017 are:</p> <ul style="list-style-type: none"> • David Bayes FAICD (Chair); • Kathy Gramp FAICD; • Tracey Horton AO FAICD; and • Liesel Wett FAICD.
Recommendation 8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Refer to the section entitled "Directors' and Officers' Remuneration" in the Directors' Report.</p>
Recommendation 8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The AICD does not have an equity-based remuneration scheme.</p>