

Annual Review 2012/13



Our profile

We provide leadership on director issues and promote excellence in governance to achieve a positive impact for the economy and society.

We aim to influence the quality of laws and governance practices through our advocacy and to support boards and directors to achieve their goals. We seek to do this by providing quality governance education, building connections between members and by leveraging contributions from experienced, practising directors.

About this report

Our objective in producing this *Annual Review* is to provide members with an overview of our strategic performance and corporate governance. Our strategic progress is considered in the context of our four strategic pillars: quality and performance of boards; quality and performance of directors; quality laws, principles and practices; and public and stakeholder awareness of good governance. We also report on our five strategic foundations throughout the report: our people, membership, courses, policy and advocacy and financial strength.

Our audited financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards are published in our *Financial Report* for the year ended 30 June 2013. This Review, which contains an overview of our financial results, is designed to be read in conjunction with the *Financial Report*.

We have elected not to produce an integrated report as the International Integrated Reporting

Framework is still under development. In our submission to the IIRC of July 2013, we also set out our concerns regarding the proposed framework, including the possible mandating of requirements in Australia, as well as the potential personal liability of directors for the disclosures within an integrated report. If due care is not taken during this consultation process, we believe that the requirements to produce an integrated report may become overly prescriptive, leading to reporting that is compliance-driven and of little value to stakeholders.

References to "we", "our" and "Company Directors" used in this Review refer to the "Australian Institute of Company Directors".

This Review is also available in interactive format on our iPad app, 'Director', available from the Apple App Store.

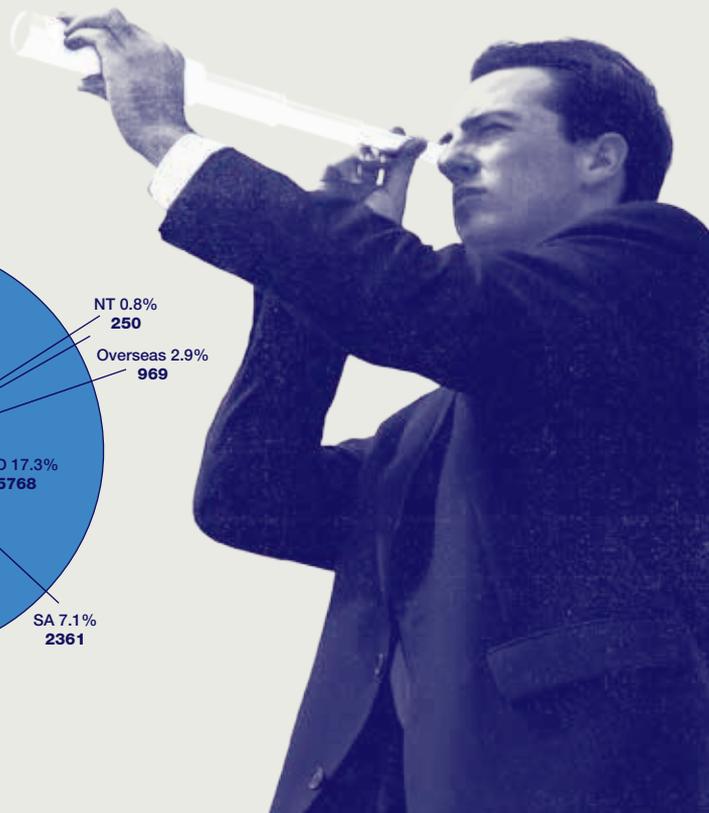
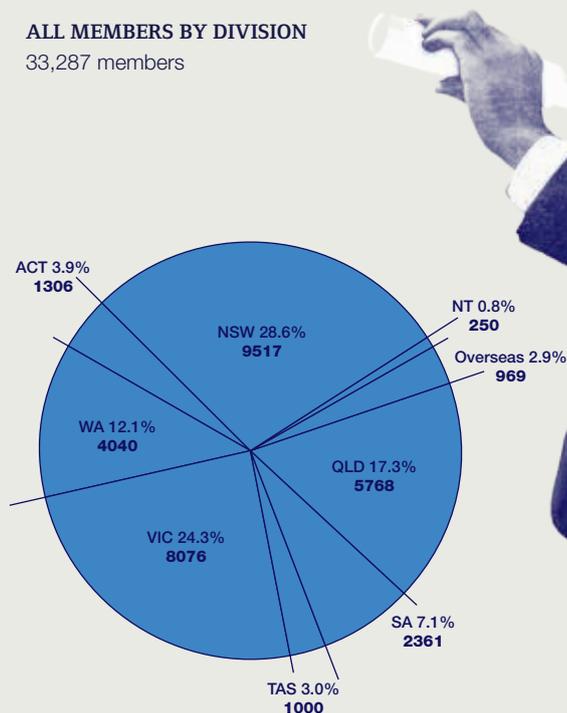
MEMBERSHIP

As at 30 June 2008-2013



ALL MEMBERS BY DIVISION

33,287 members



Performance Highlights

Directors and Boards

MEMBERSHIP

33,287

(2012: 31,856)

FACILITIES FOR MEMBERS AND GUESTS

10,000+

Attended our NSW Business Centre and Member Lounge

Knowledge and Professional Development

DPD

68%

Believe DPD is a good or very good idea

COURSES AND EVENTS

1,022

Conducted (2012: 971)

PARTICIPATION

47,708

At courses and events (2012: 44,566)

BOOKS

4,898

Purchased in print or downloaded

LINKEDIN MEMBER GROUP

10,800+

(2012: 8,600)

WEBSITE - TOTAL VISITORS

830,763

(2012: 594,705)

Governance

DIRECTOR LIABILITY REFORM

70+

Acts amended in NSW and Victoria to improve the business and environment landscape for directors

POLICY SUBMISSIONS

20+

Formal submissions lodged

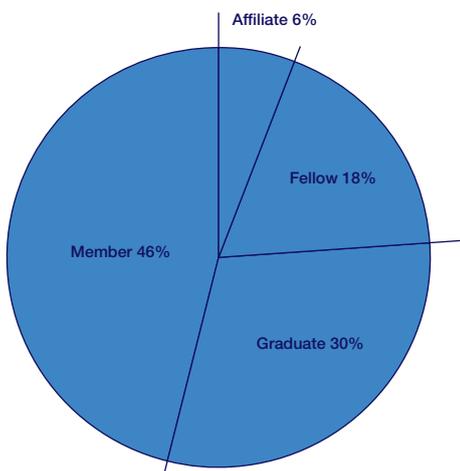
Financial Result

NET SURPLUS

\$3.077m

(2012: net deficit \$1.311m)

MEMBERS BY GRADE



Report from our Chairman



I am pleased to report that the Australian Institute of Company Directors performed well during the 2012/13 year, particularly given the challenging circumstances we faced.

STRATEGY EXECUTION

July 2012 marked the start of our leadership team executing our new five-year strategic plan for 2012-17. Over the past 12 months, our people have continued to work on strengthening the foundations of our organisation and we have launched many of the important new strategic initiatives which underpin our five-year plan.

In line with our role to provide leadership on director issues and promote excellence in governance, our strategic focus has centred on continuing to influence the quality of governance laws and practices both in Australia (and also increasingly offshore) and in supporting boards and directors to achieve high performance, principally through the application of good governance principles.

Our financial performance has also been strong, with our revenue surpassing \$50 million for the first time. This position of financial strength has given us the capacity to continue to invest in enhancing our products and services and deepening our advocacy initiatives for the benefit of members and the director community.

GOVERNANCE

Your board is committed to achieving the highest levels of governance effectiveness, and to this end we are set to undertake a structured assessment of our own practices using our newly developed Governance Analysis Tool™.

As you will read in our *Annual Review*, this tool has been designed to facilitate collective self reflection by boards about their governance against good practice guidance. By undertaking this analysis, we will be able to identify the levers we can pull to ensure that we, as your board, are making the highest possible contribution to our organisation's performance.

It is indeed a privilege to hold the position of Chairman of the Australian Institute of Company Directors as we represent those who are at the forefront of leading organisational performance in thousands of companies and organisations across Australia and internationally. We are committed to working with management to see that we deliver the highest quality education programs, provide maximum value for our members and, through our policy work, positively influence those who are shaping the operating environment for directors.

BOARD CHANGES

It is with great sadness that we acknowledged the passing of our Chairman, James Strong AO FAICD, in March 2013. James had only been appointed chairman in November 2012, succeeding Richard Lee FAICD. While we have a good idea of James' business values, and his views on what constitutes professional directorship, we are saddened that he did not have the opportunity to contribute further to our organisation, and the director community at large, through his leadership as our chairman. We will endeavour to build on the powerful legacy he left us as best we can.

During the past financial year, we have appointed three new directors, including Peter Hay FAICD and Patricia Cross FAICD as national directors; and Kathleen Conlon FAICD, as President, NSW Division. Gene Tilbrook FAICD was appointed to our board as President, Western Australia Division, in July 2013.

Directors who completed their terms and retired from the board in the last year were:

- Richard Lee FAICD, Chairman;
- Colin Galbraith AM FAICD, National Director;
- Kevin McCann AM FAICD, NSW President; and
- Linda Nicholls FAICD, Victorian representative.

I would like to thank my colleagues for their contribution to our board and our organisation's growth and successes. In particular, I would like to

acknowledge Richard Lee in his role as Chairman from 2009-2012; a time of great achievement in which many new milestones were set in the areas of membership growth, staff numbers, course participation and revenue.

Richard chaired our board with great integrity and commanded great respect and admiration from his fellow directors, the executive, the staff and stakeholders.

DIRECTOR COMMUNITY

It is my strong belief that in our roles as directors we have the potential to make a profound impact on the organisations we govern, and even society as a whole. To do so, we must remain open to the idea that extending ourselves offers the exciting promise of a range of improvement opportunities. Directors can leave every meeting with a sense that they have made a contribution to performance and safety.

I am confident that your Institute is in strong hands to deliver on our strategic objectives and to support you well in whatever you need at this point in your directorship career.

Thank you to all of our members and also our staff for the ongoing loyalty you have shown us and for your commitment to being a part of an organisation which has, at its core, a belief in the importance of achieving excellence in governance.

MICHAEL SMITH FAICD
Chairman

Chief Executive Officer's Report

While we were challenged again this year by the external operating environment and international economic conditions, I am pleased to report that our organisation performed well during the 2012/13 financial year with continued strength in our education activities and good progress on our new strategic initiatives.

STRATEGIC PROGRESS

In this *Annual Review*, we provide a progress report on the four pillars of our organisation's strategy. I will touch on just a few areas of our performance in my report. However, we have also had other major areas of strategic achievement during the year, including the creation of our new Board and Corporate Services department, expansion of our international activities, member services and successful advocacy work.

DIRECTOR PROFESSIONAL DEVELOPMENT (DPD)

According to the findings of our member survey, 68 per cent of respondents who were aware of our revised DPD system said their overall opinion of DPD was positive (9 per cent 'great'; 59 per cent 'good'). This was a pleasing result. The survey also highlighted that more than 70 per cent of respondents are seeking greater support from us on how to accrue the required units. We understand that some members think DPD is not relevant to their individual circumstances, but hope that as they learn more details about the new system, they may pause to reconsider how DPD will add value to their membership and career over time.

MEMBERSHIP

In May 2013 our membership surpassed 33,000 for the first time. Net member growth for the year was 4.5 per cent (down slightly from our net growth of 7.7 per cent in 2011/12). New initiatives for members during the year included the development and release of our *Good Governance Principles and Guidance for Not-for-Profit Organisations*, the launch of our Director Self-assessment Tool, a remuneration benchmarking study and the publication of *Director's Signpost*, an introductory guide to directorship made available as a free download to all members. Three new not-for-profit courses were also piloted and launched, a significant development representing both our first sector pathway and first blended learning program.

INTERNATIONAL

International membership continued to grow strongly, up 12.8 per cent to 969. Building on our activities in South East Asia, we also hosted

events and briefings for members based in the Pacific region.

Last year, we reported on the founding of a new international body, the Global Network of Director Institutes (GNDI). This group aims to take a coordinated approach to issues affecting corporate governance globally, to promote good practice and to advocate on governance issues that cut across borders. I was honoured to accept, on behalf of Company Directors, the appointment as the inaugural Chairman of GNDI in December 2012. Rob Elliott, General Manager Policy and Advocacy and General Counsel, was elected Chair of the GNDI Policy Committee. The Secretariat of GNDI also comes with the presidency for two years.



POLICY ON DIRECTOR ISSUES

By leveraging the great depth of expertise, networks and local knowledge possessed by our policy committees, Chairman's Forum, division councils and members around the country, we have also been developing and implementing new ways to extend our advocacy efforts across Australia. The area of not-for-profit sector reform is one example of where this has been particularly effective. It was pleasing to see that some of the crucial flaws from the original draft Bills and governance standards for the Australian Charities and Not-for-profits Commission (ACNC), which we pointed out to the Federal Government, were addressed. Implementation has, however, proved difficult, and there remains work to be done in this vital sector. In addition, we also achieved significant progress in the area of reform of director liability, particularly in NSW and Victoria, where more than 70 Acts have now been amended to improve the liability landscape for directors.

OUR PEOPLE

Extending upon the initiatives we launched under our previous strategy, we continued to work further on developing our high-performance culture, with a particular focus on developing the capabilities of our leadership community. We have also re-determined our key performance indicators and made good progress in delivering on our commitment to learning through the use of our enhanced development portal.

FUTURE OPPORTUNITIES

Our focus for the year ahead will include an ongoing review of our education offering, building our Board and Corporate Services and International divisions; extending support to our members seeking new directorships and broadening on our digital offering, by extending access to *Company Director* magazine beyond the recently introduced iPad platform.

FINANCIAL RESULT

As reported by our Chairman, our revenue increased to more than \$50 million; a \$3 million increase on 2012. The operating result before investment performance for the year was \$0.413 million. This included \$2.675 million of strategic initiative funding to further the aims of the organisation. Key initiatives included developing:

- Enhanced courses, practice statements, services and other offerings for members, directors and boards;
- Greater support for international members; and
- Guidance and advocacy in the area of not-for-profit sector reform.

The net investment result for the year was \$2.665 million. This left the net amount of our surplus for 2012/13 at \$3.078 million, compared to a net deficit of \$(1.311) million in 2011/12 (which included \$2.351 million in strategic initiative funding).

THANK YOU

Echoing our Chairman, I would also like to thank our board for their support and our management team, staff and committees for their hard work and contribution to the successes we have achieved this year. We are grateful to all members who continue to give so generously of their time and expertise.

JOHN H C COLVIN FAICD

Chief Executive Officer and
Managing Director

Our Governance

Every year, we conduct hundreds of programs and events to help directors gain practical skills and to promote the pursuit of excellence in governance. Given our role and aim, our board strives to lead by example.

Here we provide a brief overview of our governance practices. Our complete Corporate Governance Statement is contained within our *Financial Report*.

The board provides oversight within the framework of relevant legislation, our Constitution and the Board Charter 2013. Our Board's responsibilities include setting and reviewing our strategic direction, monitoring organisational performance and deciding on the policy positions we take on behalf of the director community.

Our board is comprised of 12 directors, including four national directors, one of whom is our Chairman, Michael Smith FAICD, seven division representatives who represent the members of their divisions, and our CEO, John Colvin, who has been appointed as a director. Our directors do not receive any remuneration for their service.

BOARD COMMITTEES

To improve its efficiency, the board delegates tasks to three subcommittees being the:

- Audit, Risk and Compliance Committee
- Human Resources and Remuneration Committee
- Nomination Committee

BOARD DIVERSITY

We value board diversity and recognise the benefits it brings to our organisation: an enriched perspective, improved performance, increased member value and the enhanced probability of us achieving our goals and objectives.

RISK MANAGEMENT

We have a risk management framework that guides our identification, assessment and control of strategic and operational issues and helps us to prepare for, prevent or mitigate the incidence of risk-related events. Our management team reports three times a year to the Audit, Risk and Compliance Committee on our risk register, risk rating and mitigating controls, with a formal board review undertaken annually.

Our Board



**MICHAEL SMITH FAICD,
CHAIRMAN
FAMI, FAIM, CMC**

Managing Director, Black House. Chairman, iiNet Limited, Synergy and Verve and the Lionel Samson Sadleirs Group Pty Ltd. Deputy Chairman, Automotive Holdings Group. Non-executive Director, 7-Eleven Stores Pty Limited. Board member Giving West and Creative Partnerships Australia.



**YASMIN ALLEN FAICD,
NATIONAL DIRECTOR
BCom**

Chair, Macquarie Specialised Asset Management Limited. Director, Insurance Australia Group Limited (IAG). Director, Cochlear Limited. Director, National Portrait Gallery. Member, Salvation Army Advisory Board.



**DR VINCE FITZGERALD FAICD,
PRESIDENT VICTORIAN
DIVISION**

Hon. LLD, BEc(Hons), PHd (Harv) Director, Acil Allen Consulting, ETF Securities Limited and ETF Metal Securities (Australia) Limited, The Conversation Media Group Limited and The Conversation Foundation. Director, the Goulburn-Murray Indigenous community's Kaiela Institute. Council member, Australian National University. Trustee, Finkel and Tuckwell Charitable Foundations.



**DERRIS GILLAM FAICD,
PRESIDENT TASMANIA DIVISION
B Bus, FCPA**

Chairman, Heart Foundation of Australia (Tasmania Division). Director, Heart Foundation of Australia (National). Chairman, Board of Governance and GP Assist (Clinical Solutions/Asia Pacific).



**PETER HAY FAICD,
NATIONAL DIRECTOR
LLB**

Chairman, Lazard Pty Ltd Advisory Board. Director, ANZ Limited, Alumina Limited, Newcrest Mining Limited, Landcare Australia Limited, GUD Holdings Limited and Myer Holdings Limited. Member, Australian Government Takeovers Panel.



**PATRICIA CROSS FAICD,
NATIONAL DIRECTOR
BSc (Hons) Georgetown
University**

Director, Macquarie Group Limited and Macquarie Bank Limited, Qantas Airways Limited and the Grattan Institute.



**KATHLEEN CONLON FAICD,
PRESIDENT NEW SOUTH WALES
DIVISION**

BA (Econ), MBA
Director, CSR Limited, REA Group Limited, Lynas Corporation Limited and the Benevolent Society.



**THE HON KEITH DE LACY AM
FAICD, PRESIDENT QUEENSLAND
DIVISION**

HonDLitt DUniv BA QDA, FAIM
Chairman, STAG Beef Limited, Integrated Food and Energy Developments (IFED) Limited. Director, Reef Hotel Casino and Queensland Energy Resources (QER) Limited.



**BRUCE LINN FAICD, PRESIDENT
SOUTH AUSTRALIA AND
NORTHERN TERRITORY
DIVISION
BSc, FACS**

Council Member, University of South Australia and Chair of Finance and Foundation Committees. Director, SABRENet Ltd, ITEK Ventures Pty Ltd, SA Heart Centres Pty Ltd and Anglicare SA. Chairman eResearch SA and St Peter's Collegiate Girls School. Deputy Chairman, Internet Industry Association.



**ANNE O'DONNELL FAICD,
PRESIDENT ACT DIVISION
MBA, BA (Bkg & Fin) FFinsia**

Director, Equity Trustees Limited, Equity Trustees Superannuation Limited, Community CPS Australia Limited, Eastwoods Pty Ltd and The Winston Churchill Memorial Trust. Member, Compliance Committee, UBS Global Asset Management and the Audit & Evaluation Committee of IP Australia.



**GENE TILBROOK FAICD,
PRESIDENT WESTERN
AUSTRALIAN DIVISION
(APPOINTED JULY 2013)
BSc, MBA**

Director, Orica Limited, Aurizon Holdings Limited, GPT Group Limited, Fletcher Building Limited, Bell Shakespeare Company and the Committee for Perth. Councillor, Curtin University.



**JOHN H C COLVIN FAICD, CHIEF
EXECUTIVE OFFICER AND
MANAGING DIRECTOR**

BEc (Hons) Syd, MSc (Econ) LSE, MA (Oxon), Solicitor
Advisory Council Member (Sydney), Centre for Social Impact. Patron, CanAssist. Director, Colvin Wines Pty Ltd.

Our Executive



**JOHN H C COLVIN FAICD BEc (HONS) SYD, MSC (ECON) LSE, MA (OXON), SOLICITOR
CEO and Managing Director**

John, who was appointed to his role in 2008 and is now in his second term of leadership, has continued to be a strong voice in representing the director community on important policy issues. He has also been instrumental in establishing the Global Network of Director Institutes and in sharing good governance practices with international peers and delegations.



**ANDREW MADRY GAICD BCom, MBA, CA
Chief Operating Officer**

Andrew is responsible for managing operations, including our seven divisions, national events, as well as guiding the development of strategy and the implementation of organisation-wide strategic projects. His focus for the coming year will include implementing our member feedback framework, developing dashboard reporting and working with our new Strategic Partnerships Manager to establish new agreements that benefit members.



**STEVE BURRELL MAICD BEc SYD
General Manager,
Communications and Public Affairs**

Steve leads our strategic and proactive approach to media and government relations, while also managing *Company Director* magazine. Leading up to the 2013 election, Steve prepared our 'open letter' setting out our views on the key issues for directors and the next government. Building stakeholder relationships and engagement will be the focus for Steve and his team in the year ahead.



ROB ELLIOTT FAICD LLB, BCom (MKT), FCIS

General Manager, Policy and Advocacy and General Counsel
Rob, who has led our Policy and Advocacy team since 1992, is well regarded internationally for his corporate governance knowledge, evidenced by his role in GNDI and in contributing to the ASX Corporate Governance Council. This year, Rob has led our efforts towards better regulation and his team continues to advocate for a governance framework that appropriately considers the role of directors.



**MAUREEN MONCKTON MAICD
BMaths, DipEd, GRAD DIP COMM
MGT**

General Manager, Director and Board Development (D&BD)
Maureen's team develops our education portfolio, which is designed to enrich the practice of directorship and build board capability. The D&BD team is responsible for education strategy and policy development; intellectual property; publications; as well as maintaining the highest quality standards of course content, delivery, facilitation and assessment.



**IGGY PINTADO MAICD
BA English (Mass Comms)
General Manager, Member and Marketing Services**

Iggy is responsible for member experience. His role includes leading the delivery of new and enhanced member services and raising awareness of relevant product and services through effective marketing. In the year ahead, Iggy and his team will focus on a number of strategic initiatives including our *Directorship Opportunities* platform, and optimising our online presence.



**BRAD SHERRINGHAM MAICD
BCom, CPA
Chief Financial Officer**

In addition to financial operations, Brad is responsible for our information systems. He supports our organisation with compliance processes and by providing comprehensive management reporting. Brad will continue to focus on our organisation's financial strength, increasing IT capability to optimise business operations and supporting business growth through detailed data analytics.



**KATE THOMAS BBS-HRMgt
General Manager, Human Resources**

Kate was promoted to her executive role in late 2012 after working for three years in our HR team. She is responsible for ensuring the provision of an efficient HR service while providing strategic input to our initiatives to strengthen and align culture, leadership and strategy. Her team supports talent management, recruitment, organisational development and learning and employee reward.

Quality and Performance of Boards

A key element of our five-year strategy is to increase our contribution to board performance and effectiveness through extending our work with boards on their application of good governance principles and practice. We aim to assist boards in better understanding good governance in their own context so that they may identify governance strengths and opportunities for improvement.

Our initiatives include governance assessments for boards; in-house briefings on emerging trends and topical issues; the continued evolution of our in-boardroom education delivery and the expansion of our team of facilitators and accredited specialists.

We also work closely with the senior executives charged with leading the execution of governance in their businesses, in support of enhanced organisational performance.

BOARD & CORPORATE SERVICES

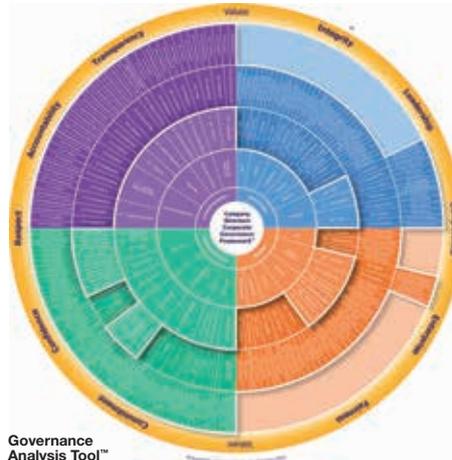
Our new Board & Corporate Services division was established during the year, with key achievements including:

- Launching our Governance Analysis Tool™ (the Tool) for the not-for-profit (NFP), listed and public sectors. Based on the Company Directors Corporate Governance Framework™, the Tool is purposefully designed to facilitate collective self-reflection by the board of its governance against a series of good governance statements and related guidance. Ten organisations participated in our pilot program for the Tool in advance of its full release (July 2013).
- Introducing tailored briefings for boards to provide access to the latest information and insights at the 'cutting edge' of governance.
- Establishing professional development programs for organisations seeking to build governance and board capability at the executive and senior management levels of their businesses. Our new corporate services stream seeks to strengthen alignment between board and management in support of good governance and corporate performance.
- Introducing our *Board Ready* program in intensive format (five consecutive days).

BOARD DIVERSITY

Since 2009, we have introduced a range of measures at a national and state level aimed at highlighting the value of board diversity and increasing the representation of female directors on boards in Australia.

- The proportion of women on S&P/ASX 200 boards rose to 15.7 per cent to the end of June 2013, with women securing 28 appointments to S&P/ASX 200 boards in 2012/13.



Governance Analysis Tool™

- With support from the Federal Government, 70 scholarships have been awarded to aspiring female directors for the period 2012-14. In addition, 34 scholarships were awarded to women on boards of not-for-profit organisations in 2013, jointly funded by the Victorian state government.
- In May 2013, we launched our third *Chairmen's Mentoring Program*. This program involves 55 leading directors mentoring female directors over a 12-month period.
- A further 12 women participated in our inaugural *Public Sector Mentoring Program* coordinated in ACT. Following the success of this program, a second iteration will commence in February 2014.
- Forty (40) women participated in our *Director Pipeline Project* – now in its third year – in Western Australia. This program is designed to prepare talented female executives for board appointments.
- Together with the GNDI, we released a joint policy perspective setting out the positive impact a diverse board can have on business outcomes.
- Provided assistance to chairmen, directors and search firms seeking recommendations of female directors for board vacancies.

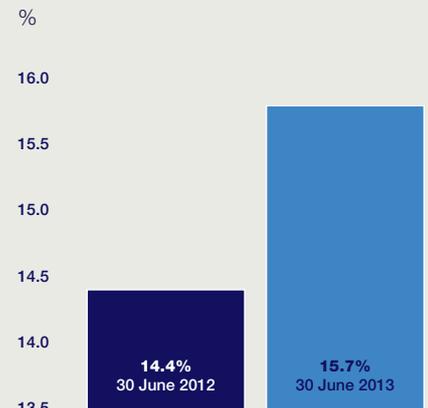
During the year, the Australian Government also invited us to become an affiliate of its BoardLinks network, which has been established to facilitate better connections between the government and women seeking board positions.

Our commitment to promoting the value of board diversity has been supported through strong media profiling and targeted public relations, including media roundtables which we have hosted with leading female non-executive directors and journalists from *The Australian Financial Review*, *The Australian* and *Women's Agenda*.

IN-BOARDROOM ENROLMENTS

6,395
(2012: 4,211)

WOMEN ON S&P/ASX 200 BOARDS



Source: Company Directors' board diversity statistics



"Our Governance Analysis Tool™ brings a fresh and exciting approach to governance reviews, helping boards to identify the levers at their disposal that can best contribute to improved organisational performance against good practice guidance."

Gabrielle Schroder GAICD
Manager, Board & Corporate Services

Quality and Performance of Directors

DIRECTORS' RATING OF THEIR BOARD'S PERFORMANCE

Scale of 1-10



Current NFP directors: n=1069. Current FP directors: n=735.
Source: Directors Social Impact Study 2012

Our principal focus has long been on providing quality education and events to support directors in their contribution to organisational governance and performance. Extending our reach in influencing the quality and performance of directors is another fundamental pillar of our strategy.

By supporting directors to pursue excellence in governance, we aim to contribute to the growth of director knowledge and capability. Many of our Fellows have extensive experience in directorship and as such, we involve these members in our activities to create a virtuous circle of knowledge-sharing with aspiring and new directors.



Director Nexus

Initiatives supporting this strategic pillar span right across our organisation, with just a few highlights for the year including the introduction of Director Professional Development, completely revising and updating the *Company Directors Course*, releasing the third iteration of the *Directors Social Impact Study* and the national expansion of our non-executive director peer-group discussion program, *Director Nexus*.

DIRECTOR PROFESSIONAL DEVELOPMENT



In November 2012, we introduced a significant change to our compulsory professional development requirements, now known as Director Professional Development (DPD). DPD is designed to better recognise the skills, capability and professionalism of our members.

Our survey to identify the effectiveness of our initial communications indicated high awareness of DPD, although we are aware that some members seek additional detail and guidance.

We are committed to providing members with multiple options to meet their DPD requirements at no additional cost (i.e. through uptake of the formal and informal opportunities we provide to all members inclusive of membership, and by recognising third-party development members undertake in the director and board space).

A DPD Oversight Group has been established with representation from each division council



"The *Directors Social Impact Study 2012* challenged long-held perceptions of NFP sector board performance. We found this very diverse sector has similar variety to the governance practices of the for-profit sector."

Phil Butler GAICD
Manager, NFP, Public Sector & ACT

TOTAL COURSE ENROLMENTS

16,381
(2011/12: 11,985)

COMPANY DIRECTORS CONFERENCE

520

Highest participation in our National Conference since 2007

NFP FORUM PARTICIPATION

1,329

Attended inaugural forums

COURSE FACILITATORS

170

Delivering our programs

DIRECTOR SELF-ASSESSMENT TOOL

60%

Recommend directors undertake our assessment

DIRECTOR NEXUS PARTICIPATION

211

17 Nexus groups as at June 2013

as well as four internal staff. An internal DPD operations team will meet monthly to ensure the integrity of DPD is maintained.

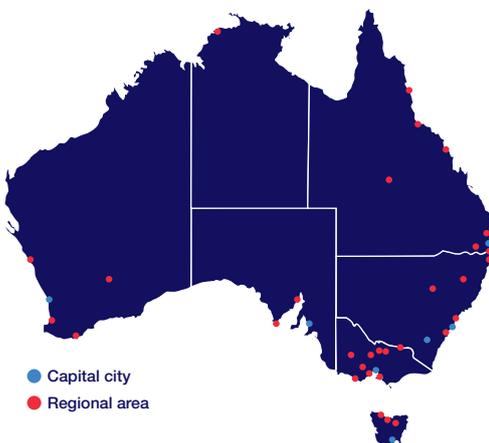
Our focus for the year ahead will be on supporting members to build their understanding of DPD and the variety of ways in which members can meet our foundation years requirements in the period 2013-16 by showing their commitment to achieving excellence in governance.

COURSE PROGRAM DEVELOPMENT

Highlights this year have included:

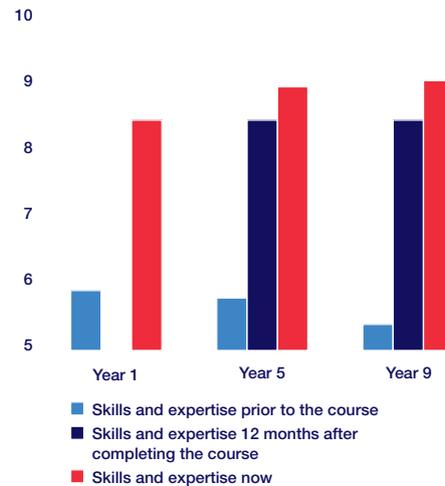
- Developing an integrated video case study for the *Company Directors Course*. See our iPad app for our Module 10 video.
- Piloting and launching three new not-for-profit programs (*Governance Foundations for Not-for-Profit Directors* and *Advanced Not-for-Profit Governance*).
- Ongoing customisation of our programs for *In-Boardroom* clients across sectors such as listed companies, government, not-for-profit, professional services and indigenous corporations.
- Forming a new Curriculum Portfolio Committee, which has supported development of new programs including *Fiji Directors Course*, new *In-Focus* courses and our not-for-profit pathway.
- Working to integrate iPad apps within our course delivery (*Board Ready* and *Mastering the Boardroom*).
- Updating *Foundations of Directorship*, the product suite that continues to be the source of much *In-Boardroom* activity.
- Developing new videos to support the delivery of *Board Ready* and *Mastering the Boardroom*.

AUSTRALIAN LOCATIONS WHERE WE CONDUCTED COURSES AND EVENTS THIS YEAR



COMPANY DIRECTORS COURSE

Long-term impact study



Source: Results of past-participants survey, 2012

INTERNATIONAL

- *International Company Directors Course* programs were delivered in Singapore, Abu Dhabi and Shanghai.
- Developed a new three-day program for Fijian-based directors incorporating the new 2013 Companies Decree, and conducted a number of member and business leader events in both Papua New Guinea and Fiji.
- Delivered nine member events and three workshops in the South East Asian region.
- Established new committees in Singapore and Fiji.

S&P/ASX 200 DIRECTORS AND BOARD COMPOSITION

	Total	Members	Representation
Unique directors	1261	540	43%
Directorships	1541	679	44%
Chairs	176	106	60%

Proportion of members comprising S&P/ASX 200 board roles as at April 2013



“Conducting our first *Company Directors Course* in Launceston, with the support of the University of Tasmania, has greatly strengthened our community engagement in the region.”

Cathie Goss GAICD
State Manager, Tasmania



“Our *Director Nexus* pilot program began in Victoria in 2009 with three small director groups meeting monthly to share their directorship experiences. Three years on, we have now expanded the service nationally to support more than 200 members in the last 12 months with their specific professional development needs.”

Paul Geyer GAICD
State Manager, Victoria



“After launching our presence this year, I am pleased to be supporting directors in the Pacific region to access quality governance training and to build connections with their peers. Our new Fiji Committee has also helped us to develop a new *Fiji Directors Course*.”

**Richard Moore GAICD
Manager, Queensland &
International (Pacific)**



“The strategy of the Institute in keeping issues in front of members is extremely important because no one person can keep up with the changes.”

**Kirby Ikin MAICD, Chairman,
National Space Society (USA)**



**Richard C. Koo, Chief
Economist, Nomura Research
Institute, the highest rated
speaker at Company Directors
Conference in Singapore**

OUR EVENTS

We conducted briefings and workshops in capital cities and regions across Australia – from Albany in Western Australia to Cairns in Queensland, as well as in the Asia Pacific – on a wide range of governance and director issues, including the following. Our events were attended by more than 36,000 people during the year, covering topics including:

- Board and management relationships
- Leadership
- Media management
- Clean Energy Act and other legislative updates
- Managing difficult conversations
- Transitioning from executive to director
- Maintaining cash flow and avoiding a crisis
- Conflicts of interest
- IT strategy and governance
- Digital strategy
- Audit and risk committees
- Advisory boards
- Directing strategy amid uncertainty
- Issues for directors in the SME sector
- Chairman in the spotlight
- Annual general meetings
- Mergers and acquisitions
- Governance challenges for family business
- Productivity
- Risk management for NFPs
- Tax risk management
- Reputational risk management
- Board composition and benefits of diversity
- Sports governance
- Finding board positions
- Funding for growth / entrepreneurial growth story
- Effective stakeholder engagement
- Economy (economic forecast)
- ASX continuous disclosure obligations
- Innovation
- The evolving role of the board
- Effective strategy execution
- NFP sector reform
- Managing your IP

Supporting access to our programs

- The Perpetual Foundation and the JS Love Trust funded 440 scholarships for directors of not-for-profit boards (2011: 325 awarded) in 2012.
- We provided two half-fee scholarships valued at \$5,950 each for members to attend the *International Company Directors Course* in Abu Dhabi and Singapore.
- Fifty one (51) regional partial scholarships valued at \$1,200 each were awarded to support members participating in the *Company Directors Course* in regions such as Albany, Launceston, Darwin and Mount Gambier.
- Places on the *Company Directors Course* were also provided for participants sponsored by various state and federal programs, including: Australian Sports Commission, state Ministry of Women's Affairs, state offices of Indigenous Affairs and state and federal government departments of Communities, Regional Development and Primary Industries.

We thank all for their dedication to strengthening governance through the provision of training and development scholarship opportunities.

AUSTRALIAN INSTITUTE
of COMPANY DIRECTORS

2012

**ASX 200 SNAPSHOT
REPORT NOVEMBER 2012**

Company Directors' Listed Company Research Database

ASX 200 Snapshot Report

Quality Laws, Principles and Practices

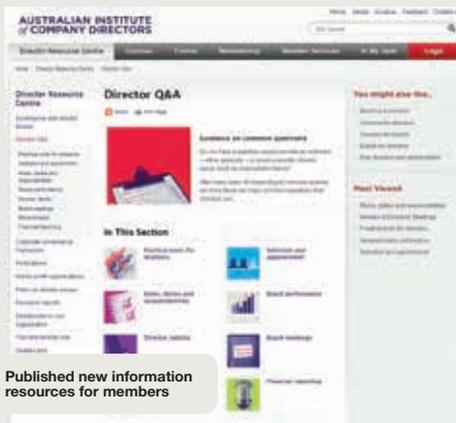


Developed and released *Good Governance Principles and Guidance for Not-for-Profit Organisations*

The quality of the Australian and international governance landscape – as shaped by the legal and regulatory framework and various stakeholder recommendations – is critical to facilitating an environment for director and board effectiveness.

While Australia has one of the most highly regarded corporate governance frameworks in the world, there are a number of challenges facing Australia's boards which we have focused on in the past year. These include concerns regarding various elements of existing legislation and proposed reforms, as well as barriers to the effective engagement between business and government.

During the year our work focused on this strategic pillar and also included the development, publication and delivery of information on changes to legal responsibilities and good practice, through



Published new information resources for members

DIRECTOR SENTIMENT INDEX

73%

Survey respondents identified employing workers as aspects of business most affected by red tape

Director Sentiment Index, April 2013

COUNCIL AND COMMITTEE MEMBERS

165

Division councillors and committee members contributed to our initiatives (see *Financial Report*)

UNIQUE PAGE VIEWS

23,421

Individuals accessed our Director Q&A on 'Roles, Duties and Responsibilities'

NFP REFORM WEBINAR

1,042

Total enrolments

channels such as *Company Director* magazine, our website, Directors Briefings, *The Essential Director Update* and other publications.

DIRECTOR LIABILITY

The issue of personal liability for corporate fault has been a central part of our policy and advocacy work for many years. In 2008, director liability was identified as being of such economic concern that it was included in the COAG National Partnership to Deliver a Seamless National Economy.

The reform process was not designed to remove liability from directors who personally commit, or are in some way involved in criminal conduct. Rather, the purpose of the reforms was to reduce the number of legislative provisions making directors "automatically" liable for the criminal conduct of the company.

We have achieved significant progress in this area, particularly in NSW and Victoria, where more than 70 Acts have now been amended to improve the liability landscape for directors. Reforms have

Member Engagement

One of the five foundations underpinning our strategy is our organisational performance. This includes not only our people, but also our ability to communicate effectively with our members through our digital channels of email and the website. In order for us to succeed in delivering on our outcomes, such as contributing to the quality of governance, we are working to improve member awareness of – and engagement with – all of our initiatives.

Following the major technology refresh program completed last year, we undertook a significant optimisation project in the first half of 2013, which included enhancing our online application process for new members (joining via the website is now estimated to take six minutes) and deactivating outdated records. The next phase of this project will include further optimisation of our website (content system) and improvements to the online member profile section, enabling easier updates to contact details, directorships and other career information.

While our average email open and 'click-through' rates have increased, there is much scope for improvement in our online communication effectiveness. Work is underway on several initiatives to address some known issues including technology system updates and a revised approach to our email communications.

As at June 2013, we were in the final stages of preparing for the August launch of the new *Company Director* magazine iPad app, 'Director'.





“Adelaide’s Biggest Boardroom event, with 20 leading chairmen and directors supporting as table hosts, was highly interactive. In an innovative format, Graham Bradley FAICD introduced three topical issues for our guests to discuss with their peers.”

David Spear MAICD
State Manager, SA/NT



“Working with a number of NSW public sector organisations has helped us to build better understanding among our state’s leadership of what constitutes good governance. It’s encouraging and rewarding to see participants from these programs advocate governance improvements in various departments of the NSW Government.”

Karen Rennie MAICD
State Manager, New South Wales

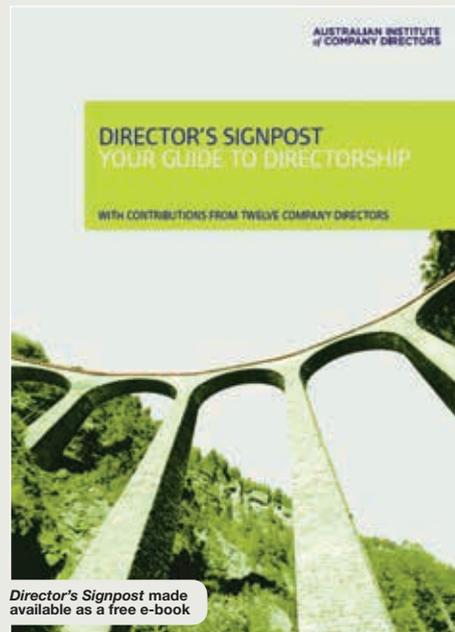
also been undertaken by the federal, ACT and South Australian governments. We continue to work on progressing reforms that have not been completed in the remaining states and territory.

TOWARDS BETTER REGULATION

In June 2013, we finalised our policy paper, *Towards Better Regulation*. This paper follows a discussion document we released in 2012, titled *Business Deregulation: A call to action*, and it was informed by feedback received from consultations with our stakeholders. In preparing the paper, we examined Australia’s current regulatory framework as we sought to advocate in early 2013/14 a “plan of action” with recommendations for changes to be undertaken across all levels of government to finally address the pervasive problem of red tape and growing regulation and its impact on the productivity of Australian businesses.

NFP REFORM

We engaged with government and policy-makers working on the Australian Charities and Not-for-profits Commission Bill on behalf of our members, with the objective of ensuring that the NFP Reforms could occur without additional burdens being imposed on the sector. Our advocacy can be viewed as a success. The draft legislation presented to the Parliament in the period March to June 2012 had serious implications for the director community. Through written submissions and engagement with Senate committees, the final legislation, while not perfect, was vastly improved.



Director's Signpost made available as a free e-book

Other areas of policy focus

- Board composition
- AGMs and shareholder engagement
- Executive remuneration
- Financial and non-financial reporting (including integrated reporting)
- Superannuation
- Class actions and litigation funding
- ASX guidance – including continuous disclosure
- IT governance standards

All policy submissions lodged in response to inquiries are available on our website.

Our stakeholders

- Company directors
- Federal, state and territory governments
- Federal Treasury, CAMAC, Productivity Commission, COAG Reform Council and Financial Reporting Council
- Regulators: ASIC, ACNC, APRA, ACCC

AUSTRALIAN INSTITUTE of COMPANY DIRECTORS

- ASX and ASX Corporate Governance Council
- Accounting and other standard-setting bodies
- International director associations and agencies
- Business and investor groups, professional associations, peak bodies, proxy advisors and universities
- Leading professional services firms

Public and Stakeholder Awareness of Good Governance

We aim to influence the quality of governance and to improve policy outcomes on issues of importance to directors by raising awareness among directors, decision-makers, the media and the public regarding what constitutes good governance, and the important role directors play in the economy and society.

By providing forums for experienced directors and governance practitioners to share information, we seek to educate those who have the power to shape the operating environment through legislation and/or to improve governance in their own organisations.

Our proactive and targeted approach to engaging with the media on director issues has produced improvements in both the quantity and quality of coverage for our organisation.

PUBLIC POLICY

In the lead up to the 2013 federal election, we prepared our 'open letter' to the major political parties, *Governing for a more prosperous Australia*, setting out our thoughts on the key issues for directors and business and outlining a policy agenda for the next government.

We have met and hosted events with representatives from federal and state governments and oppositions to discuss issues of concern to our members, and in July 2012, John Colvin delivered an address to the Australian Economic Forum, titled 'How good governance can create good government'.

Our *Public Sector Governance Forum: 12*, held in Canberra, provided our members and non-members with an opportunity to hear from Senator the Hon Penny Wong, Minister for Finance and Deregulation, and to discuss issues such as the Commonwealth Financial Accountability Review and the effective governance of public sector organisations.

INTERNATIONAL

- John Colvin was appointed as Chairman of GNDI. Some members of GNDI visited our national office prior to the first full meeting of members, held in Wellington, NZ.
- We launched our Pacific region initiative, engaging with members and guests through events held in Papua New Guinea and Fiji.
- *Company Directors Conference: Directorship: 13*, themed 'Directing in the Asian Century', was held in Singapore, providing an opportunity for delegates to broaden their understanding of governing international businesses. We also launched our Twitter account (@AICDirectors) to coincide with the

GOVERNMENT ENGAGEMENT

50+

Meetings with individual ministers /shadow ministers and departmental secretaries across federal, state and territory governments

MEDIA ENGAGEMENT

1,000+

Media mentions of our activities in the mainstream media

conference, extending our capability to share speakers' insights.

- In November/December 2012, 10 directors participated in our Chairman's Forum US Study Tour, developed in conjunction with Australia's Consul General for New York, Phil Scanlan and Australian Ambassador the Hon Kim Beazley. The delegation met with business and political leaders, regulators and administrators to discuss the global economy and international corporate governance.
- We hosted 36 delegates from the Brazilian Institute of Corporate Governance, in Sydney in February 2013.
- John Colvin also presented to the Japan Chamber of Commerce and Industry on the link between good governance and company performance, the Thai Institute of Directors' annual conference and at a networking evening of the Australian-Thai Chamber of Commerce. Along with our Chairman, Michael Smith, John also addressed the 'Australia – China Dialogue on Marine Ecotourism' on good governance.
- Our Western Australian and International Division Manager, Suzanne Ardagh, shared insights from our activities with the Indonesian Institute of Governance and our Victorian Division Manager, Paul Geyer, hosted a delegation of Vietnamese state-owned enterprise executives.
- General Manager Policy, Rob Elliott, hosted delegations from the Taiwan Stock Exchange and the Indian government and attended the International Corporate Governance Network (ICGN) conference in the US, where our *Chairmen's Mentoring Program* was cited to attendees for its effectiveness in contributing to improvements in board diversity.



"I have come to believe that governance is perhaps the single most important mechanism that the NFP sector has to face the challenges and opportunities of the future. The more we can do to promote dialogue and better understanding of the power of governance, the better off we will all be."

Russ Wood MAICD, Executive Manager, VincentCare Victoria



"The growth of our international membership in South East Asia reflects the importance of global governance. By supporting our members through international events, education and strategic alliances we hope to increase Australia's contribution to the region and help our members to capitalise on the opportunities in Asian markets."

Suzanne Ardagh MAICD Manager, WA and International Division

People

Our people and organisation are one of the five foundations of our strategic plan. We are working to engage our staff and enhance our culture for high performance to deliver on our strategic aims. We have continued to focus on recognising, and providing opportunities for, our talented employees, and in 2012/13, we kept our employee turnover below 17 per cent, the lowest it has been in five years (2009-13). Employee engagement focus groups undertaken with our staff in the fourth quarter of 2012/13 also indicated high levels of engagement.

briefing session from our consultant on their roles and responsibilities. Following this workshop and briefing, we ran a WHS week across our organisation to raise our team's awareness of potential risks and to provide practical tips on staying safe and healthy.

OUR COMMUNITY

We are committed to supporting and enabling our employees' community involvement. A number of worthwhile causes and initiatives have been supported at the recommendation of our people,



Company Directors Conference, Directorship:13 team

We have continued to grow the size of our permanent team despite the challenging economic conditions, with a nine per cent increase in full-time equivalents (FTEs) budgeted in 2012/13.

LEARNING AND DEVELOPMENT

Our ability to provide exceptional service to directors depends upon the quality of our people. As such, we provide our team with a range of flexible development options and encourage a learning culture that enables personal and professional growth.

Our focus over the past 12 months has been on implementing a learning framework, as well as conducting programs and providing tools to support our desired culture. 'Coaching for Growth' programs were held with all managers and we provided career development workshops for employees. In addition, we enhanced our online development portal, to help guide our employees in understanding and planning for their professional development.

WORKPLACE HEALTH AND SAFETY

We conducted a workplace health and safety (WHS) workshop with our leadership team and an external consultant in February to identify potential hazards and determine measures to minimise risk to our people. Our internal WHS committee (which meets four times a year) received a

including those coordinated by Cancer Council Australia, Diabetes Australia, RSPCA, Movember Australia and Multiple Sclerosis (MS) Australia. We have also facilitated employee involvement in addressing environmental issues at our workplace to reduce our environmental impact.

Our Values



TRUE PROFESSIONALISM

– Strive for new heights



POSITIVE INFLUENCE

– Start the wave of inspiration



POWERFUL TOGETHER

– Move forward as one



DYNAMIC PERFORMANCE

– Be one step ahead



LASTING IMPACT

– Leave more behind than you found

EMPLOYEE FOCUS GROUPS

83%

Agree that they connect with our role and aim and would recommend us as an employer

MEMBER RELATIONS

23

Member Relations Executives providing support for members

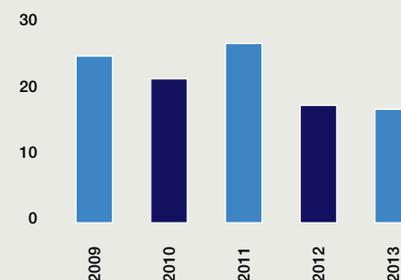
WORKPLACE DIVERSITY

25% 59%

Executive team female Leadership team female

EMPLOYEE TURNOVER

% to 30 June 2009-2013



Financial Strength

We are a company limited by guarantee and are registered under the Australian Charities and Not-for-profits Commission (ACNC). One of our five strategic foundations underpinning our capability and capacity to achieve our role and aim is financial strength. We work diligently to maintain a solid financial position through our operating model in order to effectively progress our mission.

Financial strength for us means "continuing to target an operating surplus each year (excluding our investment in strategic initiatives) and targeting positive operating cash flows".

This year, under our new strategy, we have achieved a surplus from operations that provides a safeguard for any future business downturn while also providing a cash surplus to self-insure against uninsurable risk. We have also continued to target a reasonable return from our investments.

In order to continue to improve our capacity to influence the quality of governance in Australia, we have recognised the need to increase our engagement with boards and organisations alongside our commitment to director education and support. Our new program of board and corporate services helps to diversify our business activities while continuing our strong focus on governance education and the application of good governance principles in practice.

Maintaining a surplus from operations enables us to maximise the value we provide to members and to invest in undertaking strategic initiatives of additional benefit to the membership. Along with maintaining cash resources, achieving a surplus also helps us to ensure that we have financial reserves to sustain our operations through fluctuating economic cycles.

OPERATING SURPLUS BEFORE STRATEGIC INITIATIVES

\$3.088m

(2012: \$0.307m)

INVESTED IN STRATEGIC INITIATIVES

\$2.675m

(2012: \$2.3158m)

OPERATING CASH FLOW

\$5.0m

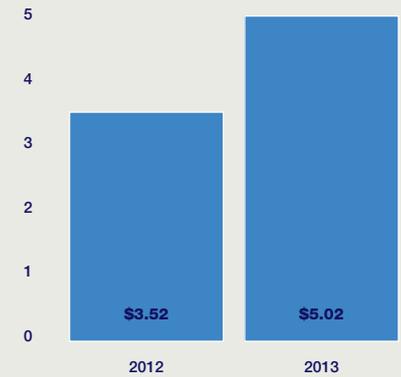
(2012: \$3.5m)

NSW Business Centre and Member Lounge



CASH RESERVES

\$ millions



TOTAL OPERATING REVENUE

\$ millions 2008-2013

