

Corporate Governance Statement

The Australian Institute of Company Directors (AICD) is committed to strengthening society through world-class governance. The AICD aims to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society.

The AICD is committed to leading by example in modelling best practice governance and as such, in preparing the FY20 Corporate Governance Statement (Statement), has benchmarked its governance framework against the following:

- *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition)* (ASX CGPR). This approach has been embraced notwithstanding the fact that the AICD is an unlisted public company limited by guarantee and therefore not required to report against the ASX CGPR. AICD uses the ASX CGPR as a guide to achieving best practice governance and has implemented these principles as far as they are relevant to a membership-based organisation.
- *AICD's Not-For-Profit Governance Principles (2nd edition)*.

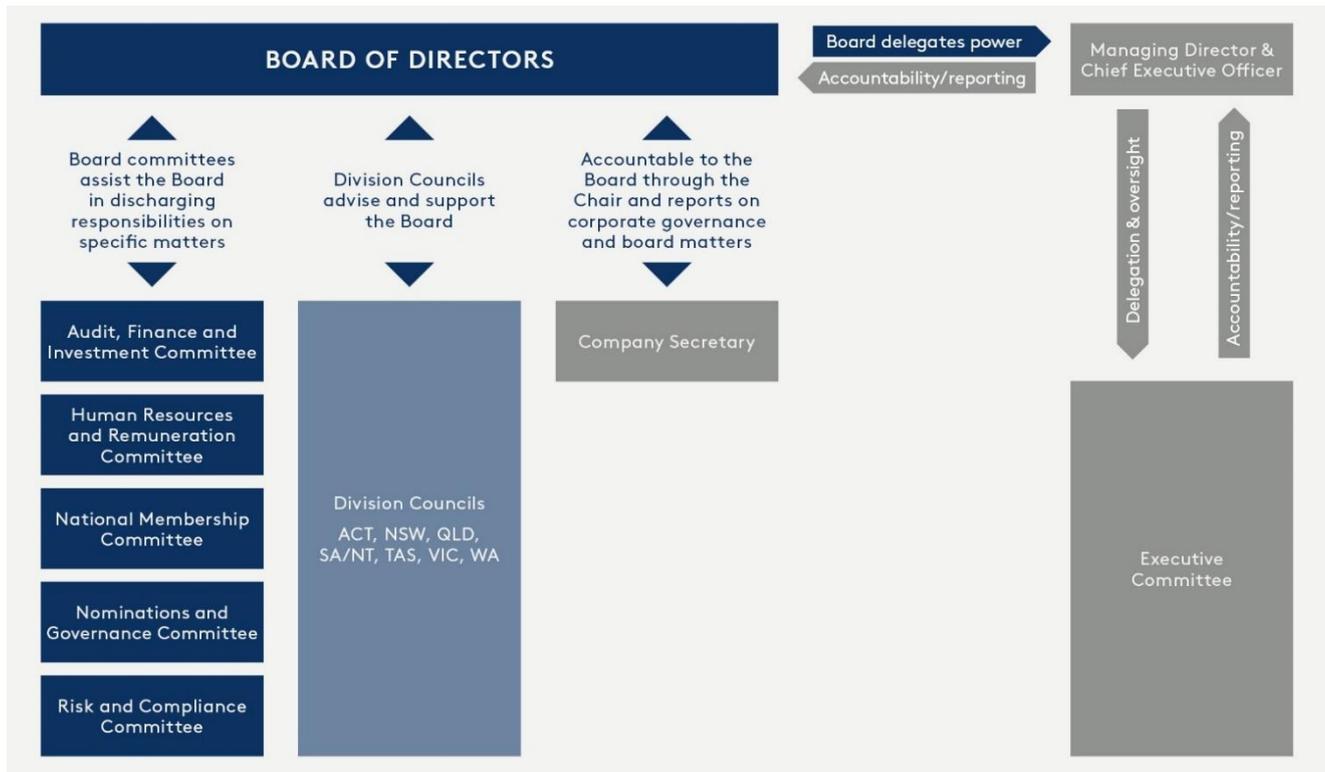
The AICD benchmarks against both sets of Principles in this Statement as part of its commitment to preserving membership confidence. Additionally, as a Not-For-Profit entity governed by the ACNC, the AICD ensures compliance with the ACNC's Governance Standards.

There is no universal formula for good corporate governance. Our approach goes beyond compliance and our emphasis throughout this Statement is on transparency and accountability.

Our governance framework

The governing body of our organisation, the Board, provides oversight within the framework of relevant legislation (including the *Corporations Act 2001* (Cth)), the Constitution and the Board Charter.

An overview of our governance framework is below.



The Board

Role of the Board, Committees and Division Councils

The responsibilities of the Board include setting the AICD's strategic objectives and goals, monitoring organisational performance against those goals, appointing the Chief Executive Officer, approving key policy positions governing the AICD and its members, and, in the public policy arena, approving the AICD's policy positions concerning directors and governance generally.

The Board has established a number of committees to assist in discharging its responsibilities:

- Audit, Finance and Investment;
- Human Resources and Remuneration;
- National Membership;

- Nominations and Governance; and
- Risk and Compliance.

The objectives, responsibilities and composition of each committee is detailed in their Charters and discussed throughout this Statement.

The Board may form additional ad-hoc committees as required from time to time. For instance, during FY19, the Board established an IT Strategy Committee to consider the organisation's commitment to IT investment.

As a federation of seven state and territory divisions, the AICD also has seven division councils that have a number of responsibilities under the Division Council Charter, including advising the Board and Managing Director & Chief Executive Officer (MD & CEO) on policy and membership matters.

In addition, the AICD is advised on policy matters by several policy advisory committees comprising senior practising directors and subject matter experts. The Board approves the Terms of Reference of these committees and reviews their membership periodically. More information on our policy committees can be accessed here.

Board composition**Board composition**

**7 directors
from division
councils**

The Board presently consists of eleven independent non-executive directors (seven directors from division councils and four national directors) and the MD & CEO.

The Chair is a national director, and a majority of the Board are independent, as required by the Board Charter.

The names of the directors of the AICD in office as at the date of this Statement, including each director's tenure, are set out in the [Annual Review](#).

The procedure for the appointment of directors is set out in our [Constitution](#).

**Between 2
and 4 national
directors**

The purpose of the Nominations and Governance Committee (NAGC) includes determining the pipeline of director nominees for election to the Board, identifying and recommending candidates to fill vacancies occurring at the end of national directors' tenure, consulting with division councils on nominees for the role of division director and their tenure, and managing casual vacancies between annual general meetings.

**Managing Director
and Chief
Executive Officer**

The NAGC must comprise at least three directors (including the committee chair). The NAGC charter can be accessed [here](#).

The AICD carries out appropriate checks on prospective directors before appointment, including checks to ensure that they have not been disqualified from managing a corporation. Each new director is sent a Letter of Appointment by the Chair, which details the terms and conditions of their appointment, and completes an induction program following appointment.

Board skills matrix

The AICD maintains a board skills matrix that sets out the mix of skills and experience of each director, which is reviewed annually. The board skills matrix is [included here](#).

Board diversity

Our Board has a strong commitment to diversity and inclusion.

The AICD is currently reviewing its Diversity Policy to ensure best practice governance and will be disclosed on the AICD's website in 2020.

The AICD advocates for 40:40:20 gender diversity on Australian boards, so that a board is comprised of no less than 40% men or women at any time. Female representation on the AICD Board is currently 50% and has been no less than 40% since 2015.

The AICD reports publicly on the composition of its board and workforce through [WGEA's compulsory annual reporting](#).

The AICD has been a leading advocate for gender diversity on boards over a number of years, championing initiatives to support increased gender diversity on boards, such as:

- AICD's flagship Chair's Mentoring Program which pairs board-ready aspiring female directors with chairs and directors of ASX200 boards.
- Acting as the executive for the Australian Chapter of the 30% Club.
- Producing a quarterly Gender Diversity Report, which tracks progress against diversity initiatives.

Board induction, evaluation and ongoing development

New directors joining the board are provided with the AICD's key governance documents, including policies and an induction program that contains briefings from the MD & CEO and the Executive Committee, together with senior leaders of business support units.

The Board considers the ongoing development and improvement of its own performance as an important input to effective governance. The Board undertakes regular evaluations of Board, Committee and director performance. An independent expert was engaged in FY20 to facilitate a Board evaluation, resulting in some recommendations for refining the AICD's governance processes.

As members of the AICD, directors receive invitations to key AICD events, briefings and workshops to facilitate their professional development, as well as access to AICD courses.

Board tenure

The AICD's Constitution provides that a Director may not serve more than two terms of three years, other than the CEO and Chair. The Chair may serve an additional term, to a maximum of 9 years in total.

Company Secretary

The Company Secretary reports directly to the Board, through the Chair, on all matters with respect to the proper functioning of the Board. The Company Secretary's responsibilities include:

- Timely completion and despatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is adequately captured in the minutes; and
- Facilitating the induction and professional development of directors.

Culture, conduct and values

AICD: One Team



Every day we create the culture we experience at the AICD.

The AICD's Reconciliation Action Plan (RAP) artwork is titled *Ngiyakai Yapung*, "ngiyakai" meaning "this way together" in the Awabakal language, and it captures the AICD's values: from how we start the day, to how we engage with colleagues, to how we assess our individual effort. The focus is on how we contribute to a One Team culture and, through that culture, our success in fulfilling our mission.

The Human Resources and Remuneration Committee's (HRRC) purpose is to assist the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to human resources and remuneration issues. This includes oversight of human resources strategies to foster quality of management practices and oversight of the culture of the organisation. The committee charter can be found [here](#).

The AICD's values, together with its Code of Conduct and policy framework, define the standards of behaviour expected of all its people.

To deliver on its mission of being the independent and trusted voice of governance, the AICD recognises its responsibility to create a workplace culture in which its people are valued, empowered, supported, and where the good of the whole is placed above that of the individual.

The AICD continues to embed the One Team culture introduced in FY19. As One Team, we must:

- demonstrate **Accountability** - to be independent and trusted;
- show **Respect** - to be the voice of governance;

- aspire to **Excellence** - to build capability; and
- **Collaborate** - to create our own community of leaders.

Code of Conduct and other relevant policies

The AICD's Code of Conduct applies to all employees, contractors and consultants working with and for the organisation and sets out expected standards of behaviour. It sets out the standards of conduct and obligations of duty of care to ensure all employees always maintain the highest standards of professional and personal conduct. The Board is informed of any material breaches of these codes and policies.

The AICD is currently reviewing its Code of Conduct to ensure best practice governance and will be disclosed on the AICD's website in 2020.

The AICD also has a Membership Code of Conduct that applies to all members of the AICD, which can be found [here](#).

In addition to these codes, there are a range of policies which define the AICD's commitment to good corporate governance including the following:

- [Whistleblowing Policy](#);
- [Gifts and Anti-Bribery Policy](#); and
- [Compliance Policy](#).

Diversity and Inclusion

We respect and value the competitive advantage of diversity, and the benefits of diversity throughout the organisation, in order to enrich our perspective, improve performance, increase member value and help us meet our goals and objectives.

The AICD's board diversity team is focused on gender diversity, including managing our high-profile Chair's Mentoring Program that assists women on their directorship journey. We are working to increase representation of women on ASX200 boards, co-operating with partners including the 30% Club on diversity initiatives.

AICD's Diversity Policy sets out the conditions and obligations of the AICD and its employees with respect to sustaining and improving the diversity and inclusion of our workplace. At the AICD, diversity is about having a workplace where differences are respected and valued. These differences can include ethnicity, gender, sexual orientation, age, culture, physical abilities, family status, experience, perspective and religious faith and other beliefs.

A diverse and inclusive workplace will ensure that we are a better business and create an environment that will attract, encourage and develop a talented, capable and engaged workforce.

AICD's workplace profile, as disclosed in the 2019-20 Workplace Gender Equality Agency report, is below:

Manager occupational categories	Employment status	Female employees	Male employees	Total employees
CEO / head of business in Australia	Full-time	0	1	1
Key management personnel	Full-time	2	3	5
Other executives / general managers	Full-time	14	12	26
Total	Full-time	16	16	32
Grand Total (All employees)	All	173	98	271

The AICD supports and encourages flexible work practices and work to ensure that its working environment, classrooms and courses respect cultural, religious and physical differences. For example, the AICD offers courses in Auslan, make course notes accessible through docReader software and provide prayer rooms in offices.

The AICD also has a RAP which represents an important commitment from the organisation to foster greater economic and social equity for Aboriginal and Torres Strait Islander people. The AICD's involvement in this vision is to see the organisation's purpose – strengthening society through world-class governance – come to life for Aboriginal and Torres Strait Islander people in their communities and the organisations in which they are involved.

The AICD is committed to developing the governance knowledge and directorship capability of Indigenous people in Australia and promoting equal opportunity across business, government and community organisations. As part of this commitment, during induction employees are required to undertake cultural awareness training.

Corporate reporting

The purpose of the Audit Finance & Investment Committee (AFIC) is to assist the Board in discharging its responsibilities on matters relating to: financial reporting; engagement of external auditors and the conduct of external and internal audits; internal controls; the AICD's banking

arrangements and investments; corporate governance developments relevant to the AFIC's responsibilities; and matters that could significantly impact the financial condition or affairs of the AICD.

The committee charter can be found [here](#).

Prior to the Board approving the AICD's annual financial report, it receives from the MD & CEO and Chief Financial Officer (CFO) a representation that to the best of their knowledge and belief, having made such inquiries as they consider necessary for the purpose of appropriately informing themselves, they have fulfilled the AICD's responsibilities for the preparation of the financial report that gives a true and fair view in accordance with applicable Australian Accounting Standards (AASBs) and the *Australian Charities and Not-For-Profits Commission Act 2012*.

The MD & CEO and CFO confirm to the Board they have provided the external auditor with:

- Access to all information of which they are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
- Additional information that the external auditor has requested from AICD for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom the external auditor determined it necessary to obtain audit evidence. All transactions have been recorded in the accounting records and reflected in the financial report.

The Board is responsible for the overall corporate governance of the AICD. Each financial year, management provide attestations to the Board that are designed to provide comfort that the AICD complies with mandatory legal and statutory requirements.

The annual attestation process includes an overall attestation from the MD & CEO confirming systems and resources have been in place for the management of material risks, and the risk management framework is adequate to the AICD, having regard to size, business mix and complexity of the AICD.

For reports that are not subject to audit or review by an external auditor, management provide regular updates on financial performance including investment performance to the AFIC and Board. The Finance Report is a mandatory reporting item for every meeting of AFIC and the Board. The nature of the Finance Report includes:

- performance relative to expectation and prior year;
- confirmation of adherence to the Board approved Reserves Policy; and
- cash flow forecast.

The regular reporting to AFIC and Board provides transparency on financial performance and ongoing financial sustainability of the AICD.

Member communication and engagement

Communicating to members the initiatives and activities of the AICD and, in turn, receiving feedback from them is fundamental to the organisation.

The AICD holds an Annual General Meeting and reports to members annually on its operations and financial results.

It also keeps members updated throughout the year, using its communication channels, on the work undertaken on their behalf, on the benefits of membership and on matters related to governance generally as part of its vision and mission.

The AICD receives feedback from members on its services and on its policy agenda through a program of surveys, through its division councils and through its engagement team which responds to ad hoc member inquiries.

The table below outlines the AICD's primary communication channels.

CHANNEL	FORMAT	REGULARITY	PURPOSE
Annual Review	Report	Annual	Informs members of AICD operations and performance
<i>Company Director</i>	Magazine	Monthly	Informs members on current governance news, issues and debates
<i>Regular member updates</i>	Email	Weekly/ fortnightly	Information to members on governance issues, on members benefits and activities of the AICD
Essential Director Update/Australian Governance Summit	Event series/event	Annual	Update on governance developments and opportunity for members to give feedback
Director Sentiment Index	Survey	Bi-annually	Member feedback on governance conditions and policy priorities
Members satisfaction tracker	Survey	Biennial	Member feedback on AICD activities and satisfaction
Twitter, Facebook, Instagram, LinkedIn	Social media	Always-on	Informs members and public on latest in governance and AICD activities
Member engagement team	Phone, email	Business hours	General member inquiries
aicd.com.au	Website	Always-on	Information on the AICD, member benefits, information and news

Risk management

The objectives of the Risk & Compliance Committee (RACC) are to assist the Board to discharge its corporate governance responsibilities to exercise due care, diligence and skill in relation to oversight of the design, quality, effectiveness and integrity of the AICD's risk management strategy, Risk Management Framework (RMF) and overall risk management, and the Compliance Framework.

The committee charter can be found [here](#).

The Risk & Compliance Committee supports the Board in its oversight of risk by:

- reviewing the AICD's risk management strategy and RMF (including the risk appetite statement) at least annually to satisfy itself that it continues to be sound;
- monitoring the adequacy and effectiveness of the AICD's risk management processes; and
- recommendations to the Board regarding the AICD's emerging and material risks.

The Board has adopted a [Risk Management Policy](#) which requires the AICD to maintain the RMF. The primary objective of the RMF is to provide the Board with comfort that the risks confronting the AICD are being identified, assessed and managed effectively within the AICD Risk Appetite Statement (RAS).

The RAS is divided into:

- Areas of risk reserved for the Board to determine acceptable. The Board reserves the right to evaluate risk comprehensively on a discrete case by case basis and will inform the Executive Committee of outcomes of such decisions; and
- Areas of risk delegated to respective levels of management to determine the risk appetite. This delegation takes the form of approving risk assessments, evaluating risks and controls and deciding on the appropriate response protocols to use to prioritise and escalate risks.

Throughout the AICD's business operations, the adherence to the RMF:

- Reduces the likelihood of unacceptable or unknown outcomes;
- Provides greater openness and transparency in decision making and ongoing management processes;
- Ensures the AICD maintains its mission to be an independent and trusted voice of governance;
- Provides a better understanding of risks associated with the AICD's activities;

- Represents an effective reporting framework for meeting corporate governance requirements; and
- Provides a comprehensive risk assessment of major projects.

Supporting the overall risk management process, the other board committees (such as the HRRC and the AFIC) review specific risk matters as required by their respective charters.

The Executive Committee is charged to establish and maintain a strong risk management culture. This is demonstrated by regular self-assessment of risks and controls, a common language and approach to risk by AICD staff, and early engagement of the risk and compliance and legal teams in new initiatives and projects.

Good governance is inherent in running the AICD effectively, and part of that is managing risks proactively. The AICD is committed to developing its risk management capability and, through its education offering, to deliver risk management governance training to our members and clients.

Other than COVID-19 related risks, the AICD has not been exposed to any material environmental or social risks during FY20. The financial risks resulting from COVID-19 have been disclosed in the FY20 Financial Statements. AICD's management of potential health risks associated with COVID-19 have been communicated to members regularly, such as:

- how the AICD is supporting its employees during the pandemic, and
- the decision to extend the closure of its Business Centre Member Lounges (BCMLs) to protect its employees and members.

In FY20, the AICD engaged an independent audit firm to undertake the Internal Audit function. Their role is to test and provide independent assurance that the AICD's risk management, governance and internal control processes are operating effectively.

Remuneration and performance

Directors do not receive any remuneration for their services to the AICD.

All senior executives have written contracts and appropriate checks are undertaken before employment. The remuneration of the MD & CEO and the number of executives falling within particular bands is disclosed in the FY20 financial report. Executives receive a fixed salary plus a bonus that is dependent on the achievement of objectives and key results (OKRs).

At the AICD, annual performance evaluations are based on:

- The consistent demonstration of the AICD's core values at work and in dealings with directors and colleagues; and
- Satisfaction of OKRs as set by the Board at the organisational level and cascaded down to employees.

The AICD has in place a Short-Term Incentive (STI) scheme for its staff. An STI is paid subject to the AICD achieving a prescribed benchmark and is distributed based on individual performance outcomes. These key performance outcomes are linked to the strategic goals of the AICD. In FY20, the AICD temporarily suspended the STI scheme this year and for the foreseeable future, due to the financial impact of COVID-19.

All AICD executives had their performance evaluated during FY20 in accordance with the performance evaluation process. The outcomes of performance reviews for the executives are reported to the Human Resources and Remuneration Committee, which has overall responsibility for ensuring that performance management processes are in place for all executives (excluding the MD & CEO, who is assessed by the Board).

The performance evaluation of the MD & CEO is facilitated by the Chair, with ultimate oversight by the Board. The evaluation of the MD & CEO involves an assessment of a range of factors including the overall performance of the Institute and the achievement of specific pre-determined goals.

For more information

Details of the AICD's governance framework are located [here](#), including:

1. this Corporate Governance Statement;
2. the charters of the Board, division councils and each committee; and
3. the core governance documents referred to in this statement, and other policies/documents of interest to members.