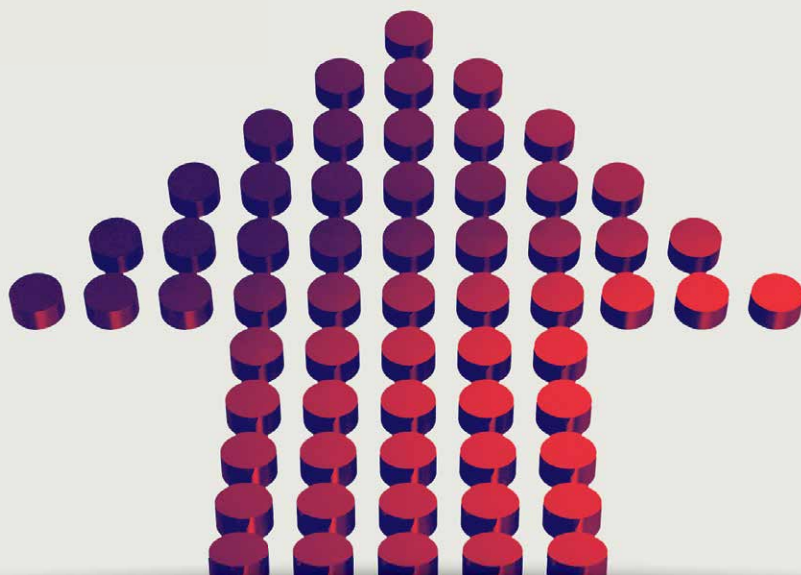


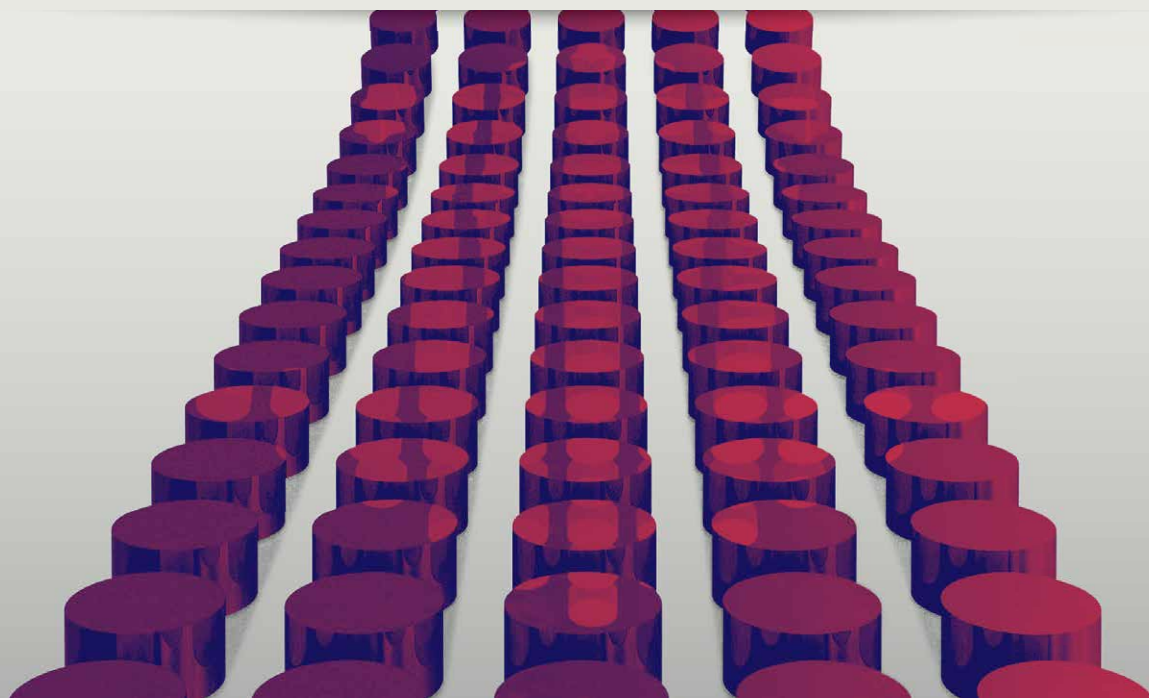
AUSTRALIAN INSTITUTE
of COMPANY DIRECTORS

2013 / 2014

ANNUAL REVIEW



G O V E R N A N C E *for* P E R F O R M A N C E



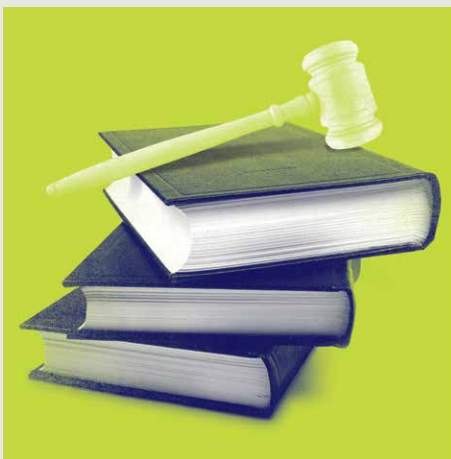
Our Role, Aim and Values

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

We aim to influence:



Public and stakeholder
AWARENESS of directorship
and good governance



The **QUALITY** of laws,
regulations, principles and
directorship practice



The **PERFORMANCE**
of today's and tomorrow's
directors and boards

Our Values

TRUE PROFESSIONALISM

We act with absolute integrity, set high standards and take responsibility for our actions. We are committed to working hard to create value for our members.

POSITIVE INFLUENCE

We are passionate about ongoing learning and we aim to make a positive contribution as a credible voice representing the director community.

POWERFUL TOGETHER

We facilitate a network of members who, by coming together, can advance their own capabilities and opportunities to become better directors.

DYNAMIC PERFORMANCE

We anticipate change and how it will impact the directorship community and aim to lead with new thinking.

LASTING IMPACT

We aim to have a lasting impact on society by influencing the quality of directorship and governance.

About this review

Our objective in producing this *Annual Review* is to provide an overview of our strategic performance and corporate governance. Our progress is considered in the context of our 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: people & organisation; membership & boards; courses; policy & advocacy and financial strength.

Our audited financial statements are published in our *Financial Report* for the year ended 30 June 2014. This Review is designed to be read in conjunction with the *Financial Report*.

We have elected not to produce our report according to the International Integrated Reporting Framework this year. Our policy position on Integrated Reporting is available on our website.

References to "we", "our" and "Company Directors" used in this Review are to the "Australian Institute of Company Directors". This Review is also available on our iPad app, Director.

Strategic Highlights

Awareness

MEMBERSHIP

35,212

2013: 33,287

PROGRAM ATTENDEES

47,235

2013: 47,708

ESSENTIAL DIRECTOR UPDATE

4,871

Total participants in live seminars and webinars

READ COMPANY DIRECTOR

90%

2008: 82 per cent

BOOKS PURCHASED

3,757

2013: 4,898

INTERNATIONAL REACH

13

Institute members of GNDI

Quality

GAICD

2,511

Obtained GAICD status in 2013/14

FACILITATORS

166

Directors facilitating our programs

NFP GOVERNANCE PRINCIPLES

16,343

Unique web page views

POLICY SUBMISSIONS

23

Formal submissions lodged

MEMBERSHIP

As at 30 June 2010-2014



Performance

IMPROVING BOARD PERFORMANCE

2,511

Members who cite this interest

MEMBERS EXTREMELY/VERY SATISFIED

54%

2011: 60 per cent

ORDERS OF MERIT

41

Awarded to CDC participants

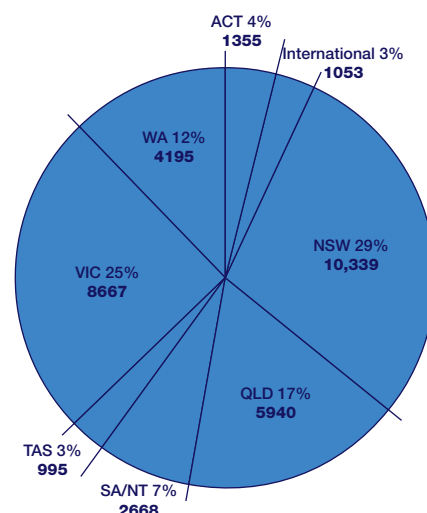
NET FINANCIAL RESULT

\$3.276m

2013: Net surplus \$3.078m

ALL MEMBERS BY DIVISION

35,212 members



Chair's Report

I am pleased to report that during the past financial year we successfully completed the first phase of our 2012-17 five-year strategy and are now well into executing phase two, focused on accelerating our priority initiatives.

STRATEGY EXECUTION

As we are a peak body, the experience of our members is the lens through which we view our achievements and strategic progress. Indeed, the issue of member benefit is the centre of our attention as we exist for members and seek to deliver relevant and valuable services to you.

Sustaining and growing a loyal membership is also critical to our efforts to strengthen our voice as an advocate for the director community and as a promoter of excellence in governance and performance.

We have sought to increase our effectiveness and influence in Australia and also internationally, to enhance the value we provide to leaders of business, government and the not-for-profit sector. Going beyond our historic focus on individual directors, we now also see our role as encouraging continuous improvement across the full system of governance. This incorporates directors, boards and the executives who report to them; the way in which governance is led and executed within organisations and our capacity to connect with

the stakeholders who shape our legal, regulatory and principle frameworks. This is how we seek to contribute to our global society, as well as the local communities of which we are part.

Slowly, but surely, we see broadening appreciation of the impact that board effectiveness has on organisational performance. In addition to compliance-related duties, boards are looking to play a more active role in driving corporate performance. Clients working with our Board and Corporate Services team (formed 2012/13) have told us our new services are meeting a genuine need. We have validated and legitimised the benefit of investing in regular, whole of board and executive-level development through the lens of governing for performance. Our suite of public programs is also evolving for greater relevance to today's lively and rapidly changing world.

To enhance our measure of execution, we are expanding our intelligence by seeking more stakeholder feedback. To this end, we will obtain an independent assessment of our impact and non-financial performance in all areas of our role and aim.

GOVERNANCE

The board is working to gradually evolve our own organisation's model of governance. To assess our governance against good practice guidance this year, we undertook a self-evaluation using the

Company Directors' Governance Analysis Tool™. The experience of using this comprehensive health-check has been reassuring, as we have most of the bases of good practice covered. Of greatest value has been a reinforcement of the priority areas for us to focus on.

We have also reassessed the skills required for the board in the years ahead, which are reflected in the appointment of four new directors: Elizabeth Proust FAICD, National Director; Kevin Osborn FAICD, President South Australia and Northern Territory Division; Roderick J Roberts FAICD, President Tasmania Division and Bill Scales AO FAICD, President Victoria Division.

Directors who completed their terms and retired from the board in the last year were Patricia Cross FAICD, Bruce Linn FAICD, Derris Gillam FAICD and Dr Vince Fitzgerald FAICD.

I would like to thank all of our board members for their service to Company Directors and guiding our ongoing success.

FAREWELL JOHN COLVIN

The coming months will also mark the end of John Colvin FAICD's remarkable tenure as our CEO. As I wrote when announcing his decision to leave, John has not only strengthened our organisation greatly, he has laid the foundations for a much stronger future. Indeed, much of the growth we have achieved can be attributed to John's inspirational leadership and determination to embed a high performance culture. We very much appreciate John's contribution and will acknowledge his achievements towards the end of 2014.

We look forward to John Brogden AM MAICD joining us early in 2015 and continuing to lift our organisation and what we can achieve for our members.

As our operational performance substantially improves, so too does our capacity to support our large membership of influencers. We hope all who we have interacted with us are better placed to make their organisations stronger and in turn, our whole system better.



MICHAEL SMITH FAICD
Chair



Chief Executive Officer's Report

This year we have continued to operate in an increasingly competitive market. In this context, I am very pleased to report that we have maintained a leading position in the provision of director education programs.

MEMBERSHIP

In June 2014 our membership surpassed 35,000 for the first time. Net member growth for the year was 5.8 per cent (up from 4.5 per cent net growth in 2012/13). Membership grew by 8.6 per cent in NSW and 7.3 per cent in Victoria. Forty-five (45) per cent of members attended at least one course or event during the year.

Seventy (70) per cent of members who responded to our satisfaction survey in 2013 said they were extremely/very likely to recommend membership. We have also started to use the Net Promoter Score (NPS) to improve measurement of client loyalty across the organisation.

To better serve the director community, we have introduced new initiatives for members, including a query service, *Director Assist*. We also released the *2014 Australian Board Remuneration Survey and Report*, with aggregated pay data from more than 900 boards.

EDUCATION

Guided by feedback from program participants and facilitators, the *Company Directors Course* was revamped and updated. Central to our latest update was the introduction of an integrated video-based case study which has helped to bring the course content to life and enabled participants to apply and test their learning of each module.

As part of our growing commitment to good governance across the Asia Pacific region, the *Fiji Directors Course* was delivered for the first time this year and has received pleasing feedback scores. Our activities are also gaining traction in Papua New Guinea, with plans developing to conduct a course there.

BOARD AND CORPORATE SERVICES

One of our greatest achievements for the year has been the success of our board and corporate services work. The investment in developing our Governance Analysis Tool™ has positioned us to deliver on needs shaped by industry developments (such as the new recommendations for boards to participate in formal evaluations and take a proactive approach to director development).

We have worked with clients at board and executive level in all sectors to sharpen their tools and enhance their organisational systems, decision-making, risk management and overall

performance. Our service has been designed to be respectful of the nuances between sectors, so that we can tailor our language to make it easier for different directors to relate to.

We are also developing closer relationships with strategic partners and are grateful to all who have assisted us to progress our aims, whether by providing input into programs, or through sharing their thinking on quality practice with our participants.

POLICY AND PUBLIC AFFAIRS

The work of our policy team has led to significant reforms to onerous director liability laws and the so-called 100-member rule. We also formed a proposal to insert an honest and reasonable director defence into the *Corporations Act 2001*. Our commentary on director issues is now sought-after and particularly appreciated by members who share our interest in changing the landscape for directors to take considered and appropriate risks in their strategic decision-making. While there is still a way to go, measures we have designed to increase gender diversity on boards are having an impact.

BOARD DIVERSITY

Believing that actions speak louder than words, we have invested heavily in range of practical programs and activities which have moved the dial on gender diversity. There are now more female directors on ASX boards, greater opportunities for women seeking board appointments and above all, we have seen a positive mindset shift among the director community about the importance of diversity and its contribution to corporate performance. Our activities have included our world-leading Chairmen's Mentoring Program, our diversity scholarship programs, research, media engagement and the publication of real-time appointment statistics. This year we have made further progress in the areas of programs (including a significantly expanded third round of scholarships), a major research paper and greater media awareness, as well as encouraging greater female participation in our events.

INTERNATIONAL

We have increased our services to members and directors living and working abroad. In addition to expanding our programs to the Pacific region, we have created an international business unit to export our corporate governance education programs to emerging growth markets and to take a leadership role in the region. To further facilitate discussions for directors focused on business opportunities in the ASEAN region, we will hold our *Company Directors Conference* in Kuala Lumpur in May 2015.

Since December 2012, I have also held the role of Chair of the Global Network of Director Institutes (GNDI). GNDI is an international collaboration of membership organisations established to share expertise in corporate governance and professional director development. The network provides a global voice for the director community and is designed to foster closer cooperation between its members who collectively represent more than 100,000 individuals with an interest in directorship.

FUTURE FOCUS

We are taking an active interest in the development of the international education market and online courses. This is part of our commitment to ensuring our operating model continues to be sustainable in the face of a rapidly shifting landscape. As Australia's population demographics change, we will also broaden our focus on the changing needs of emerging directors.

FINANCIAL RESULT

Our net result for 2013/14 was \$3.276 million, compared to a net surplus of \$3.078 million in 2012/13. This was achieved through a 9.5 per cent increase in revenue to \$56.4 million (a \$4.9 million increase on 2013).

We invested \$3.509 million in capacity and capability, \$1.828 million in strategic projects and \$1.681 million in capital expenditure (a total of \$6.867 million compared to \$4.919m last year). Our key strategic expenditure included developing our information systems, the *Directorship Opportunities* platform and opening new business centres for members.

The net investment result for the year was \$2.655 million.

OUR COMMUNITY

We are truly fortunate to have such a dedicated board, staff and community of Council and committee members who support our program and policy development. I would like to thank everyone who has worked hard to assist us to deliver on our strategic aims. Signing off on my final CEO report is a bittersweet moment. We have achieved so much in my time and there is still so much potential for us to build upon. I wish my successor, John Brogden, all the very best.

JOHN H C COLVIN FAICD
Chief Executive Officer and
Managing Director

Our Governance

Our complete Corporate Governance Statement, prepared in alignment with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd edition) is contained within our *Financial Report*.

OVERVIEW

As at September 2014 our board was comprised of 12 directors, including four national directors, one of whom is our Chair, Michael Smith FAICD, seven division council representatives and our CEO and managing director, John Colvin. Directors, other than John Colvin in his capacity as CEO, do not receive any remuneration for their board service. The qualifications and current roles (as at September 2014) of our serving board members are provided on pages 6-7. Full biographies, detailing past experience, are available on our website.

Responsibilities of the board include setting and reviewing strategic direction, monitoring organisational performance and approving any major policy changes in terms of what we advocate for on behalf of the director community.

To ensure effective governance and improve board efficiency in areas such as succession planning, financial reporting, risk management and remuneration, the board delegates tasks to four subcommittees being the:

- Audit, Risk and Compliance Committee;
- Human Resources and Remuneration Committee;
- Nominations' Committee; and
- Strategy Committee.

The Board formed the Strategy Committee during the year to assist in formulating, and monitoring progress towards achievement of our strategic objectives.

During the year, our Board also used our Governance Analysis Tool™ as a means of reflecting on its performance and testing our Board's governance against statements of good practice.

Corporate governance documentation, including our Constitution, By-laws, Board Charter, Board sub-committee charters, risk management and diversity policies, is available in the 'About Us' section of our website.

Our Board



**MICHAEL SMITH FAICD, CHAIR
DLitt**

Managing Director, Black House; Chairman, iiNet Limited, Pioneer Credit Limited and the Lionel Samson Saddleirs Group Pty Ltd; Deputy Chairman, Automotive Holdings Group; Non-executive Director, 7-Eleven Stores Pty Ltd and 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) and Chair of its Remuneration Committee; Director Cochlear Limited and Chair of its Audit Committee; Director, National Portrait Gallery and The George Institute for Global Health.



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

Chair, Beyond Bank Australia; Director, Equity Trustees Ltd, Eastwoods Pty Ltd and The Winston Churchill Memorial Trust. Member, Compliance Committee, UBS Global Asset Management and the Audit & Evaluation Committee of IP Australia.



**KEVIN OSBORN FAICD,
PRESIDENT SOUTH AUSTRALIA
AND NORTHERN TERRITORY
DIVISION
FIPA**

Non-executive director, SA Water; Deputy Chairman, Port Adelaide Football Club and Director, Accounting Professional & Ethical Standards Board.



PETER HAY FAICD, NATIONAL DIRECTOR LLB

Chairman, Newcrest Mining Ltd; Director, CFX Co Ltd, Commonwealth Managed Investments Ltd, GUD Holdings Ltd and Landcare Australia Ltd; Member, Australian Government Takeovers Panel.



ELIZABETH PROUST AO FAICD, NATIONAL DIRECTOR LLB, BA (Hons)

Chairman, Nestle Australia, Bank of Melbourne; Director, Perpetual Ltd, Insurance Manufacturers Australia, and Sports Australia Hall of Fame. Member, JP Morgan Advisory Council and Trustee, Prince's Charities Australia. Member, Catholic Church's Truth, Justice and Healing Council.



KATHLEEN CONLON FAICD, PRESIDENT NEW SOUTH WALES DIVISION BA (Econ), MBA

Director, Aristocrat, CSR Limited, REA Group Limited and Lynas Corporation Limited and the Benevolent Society.



HON KEITH DE LACY AM FAICD, PRESIDENT QUEENSLAND HonDLitt DUniv BA QDA, FAIM

Chairman, STAG Beef Ltd; Chairman, Integrated Food and Energy Developments (IFED) Ltd; Director, Reef Hotel Casino; Director, Queensland Energy Resources (QER) Ltd.



RODERICK J ROBERTS FAICD, PRESIDENT TASMANIA DIVISION BEc, MBA, Dr Laws (Hon)

Chairman, Webster Limited and University of Tasmania (UTas) Investment Committee; Director, AGW Funds Management Limited and various proprietary companies; Governor, UTas Foundation.



BILL SCALES AO FAICD, PRESIDENT VICTORIA DIVISION BEc (Monash) FIPAA

Member, Veolia Australia-New Zealand Advisory Board; President, Business Higher Education Roundtable. Member, Civil Society 20 (C20) Steering Group and New Colombo Plan Reference Group.



GENE TILBROOK FAICD, PRESIDENT WESTERN AUSTRALIAN DIVISION BSc, MBA

Director, Orica Limited, Aurizon Holdings Limited, GPT Group Limited, Fletcher Building Limited, Bell Shakespeare Company; Councillor, Curtin University.



JOHN H C COLVIN FAICD, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR BEc (Hons), MSc (Econ) LSE, MA (Oxon), Solicitor

Patron, CanAssist and Director, Colvin Wines Pty Ltd.

Our Executive



JOHN H C COLVIN FAICD BEc (Hons) , MSc (Econ) LSE, MA (Oxon), Solicitor

CEO and Managing Director

John has served as CEO and Managing Director since 2008. During his tenure, he has strengthened the organisation in many ways, including as an advocate for reform, and by laying the foundations for our enhanced international influence. His focus in the lead up to 2015 will be providing incoming CEO, John Brogden, with a comprehensive handover.



ANDREW MADRY GAICD BCom, MBA, CA

Chief Operating Officer

Andrew is responsible for overall operations. He has specific oversight of teams responsible for the development and execution of strategy, our national events program, board and corporate services and partnerships, international expansion and strategic projects. His focus is overseeing the execution of our five-year plan, while monitoring growth in strategic markets.



ROB ELLIOTT FAICD LLB, BCom (Mkt), FCIS

General Manager, Policy and Advocacy

Rob is well regarded internationally for his corporate governance knowledge, evidenced by his role in GNDI and on the ASX Corporate Governance Council. He is focused on enhancing the quality of laws and regulations impacting directors, and in the coming year, his team will continue to advocate for appropriate governance principles and frameworks.



MARCEL MOL MAICD MEd
General Manager, Director and Board Development

Marcel leads the Director & Board Development team and our portfolio of education products. He is responsible for the continual development of our curriculum of education and learning products which is designed to enrich the practice of directorship and build the capability of directors, boards and executives across Australia and beyond.



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

Iggly is responsible for our marketing and member experience. His role includes leading the delivery of new and enhanced member services and raising awareness of excellence in governance through effective marketing. Iggly and his team are continuing to focus on the development of our *Directorship Opportunities* platform and our digital channels.



BRAD SHERRINGHAM MAICD BCom, CPA
CFO and GM, State and Territory Divisions

Brad leads our financial and division operations and is responsible for information systems. He supports our organisation by providing IT support as well as comprehensive management reporting. In the year ahead, he will continue to focus on our financial strength, realisation of the IT vision and lead the divisions to enhance client engagement.



KATE THOMAS BBS-HRMgt
General Manager, Human Resources

Kate has been a member of our Executive since 2012. She is responsible for guiding our values and client centric culture to support our overall strategic execution. Kate and her team deliver an efficient HR Service focused on talent management, recruitment, learning & organisation development and employee engagement.



STEVE BURRELL MAICD BEc
General Manager, Communications and Public Affairs

Steve leads our strategic and proactive approach to external communications including, media and government relations, social media and member communications, as well as leading our board diversity initiatives. His focus is on ensuring our policy positions are widely communicated to our key stakeholders.

Our People and Financial Strength

People and organisation are one of the five foundations of our strategic plan. As at 30 June, we had 216 full-time employees, an increase of 6.5 per cent on last year and our turnover rate decreased by 0.9 per cent. New team members have joined us principally to strengthen our client service delivery and IT systems.

LEARNING AND DEVELOPMENT

Many of our people extend their capability and improve their capacity to support our members by undertaking our programs and serving as directors of not-for-profit organisations.

"I believe I was selected for my knowledge of governance gained through working for Company Directors. They were aware it would be my first board role and were very happy to take me on."

In addition, formal development workshops we have conducted this year focused on transformational leadership, client centricity, strategy execution and communications.

In the coming year, we will also develop and implement a workforce planning process.

FINANCIALS UNDERPINNING OUR STRATEGY

A further foundation of our plan underpinning our ability to achieve our role and aim is our financial strength. For us, this means continuing to target an operating surplus (excluding our investment in strategic initiatives) and targeting positive operating cash flows. Consistent with our result in 2013, we have achieved a net surplus and increased our operating cash flow to self-insure against uninsurable risk.

We have continued to target reasonable returns on our strategic operational and market investments, such that we now hold \$39.9 million in cash and investments. Our investment in our people, strategic projects and information systems is designed to deliver more valuable services and greater benefits to members, which in turn will strengthen participation, membership loyalty and our ongoing financial sustainability.



TOTAL EMPLOYEES (FTE)

216

2013: 203

EMPLOYEE TURNOVER

15.8%

2013: 16.7 per cent

LEADERSHIP GENDER DIVERSITY

62.5%

2013: 59 per cent

OPERATING SURPLUS BEFORE STRATEGIC INITIATIVES

\$2.449m

2013: \$3.088 million

FUNDING APPLIED TO INITIATIVES

\$6.867m

2013: \$4.919m

OPERATING CASH FLOW

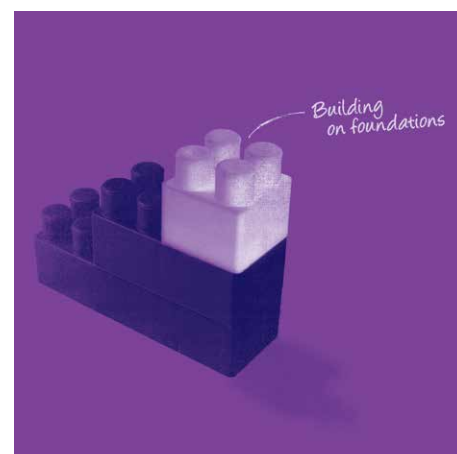
\$6.592m

2013: \$5.020m

TOTAL OPERATING REVENUE

\$m 2009-2014

2009	2010	2011	2012	2013	2014
32.2	35.2	42.2	47.6	51.5	56.4



Awareness of directorship and good governance

ACTUAL NEW MEMBERS

6,032
(2013: 5,304)

TOTAL COURSE PARTICIPANTS

13,363
(2013: 16,381)

S&P/ASX 200 BOARD ROLES HELD BY MEMBERS

49%
(2013: 44 per cent)

INTERNATIONAL MEMBERS

500+
Attended an event offshore

GOVERNMENT ENGAGEMENT

70+
Meetings with ministers, departments and agencies

MEDIA

770
Mentions in mainstream media



Facilitating discussion of director issues

We recognise our ability to influence practice and organisational performance starts with awareness. We work with all of our stakeholders, including directors and executives, to understand their needs, objectives and to identify opportunities to encourage positive change. By facilitating discussion, we seek to encourage reflection on experiences, enlighten individuals and boards, and enable people to see new pathways to enhance their effectiveness and organisational performance.

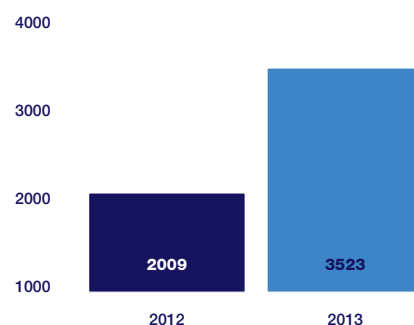
A record number of new members (6,032) joined during the year, demonstrating continued growth in the number of current and aspiring directors who are committed to the pursuit of excellence in directorship and governance.

Our engagement with government and media has assisted our efforts to raise awareness of issues confronting directors and enabled us to build the case for reform in a number of key areas.

PUBLIC AND IN-BOARDROOM PROGRAMS

One of the main areas we have raised awareness is on the complex subject of what it means to be a director, as our programs provide a forum for

ESSENTIAL DIRECTOR UPDATE ATTENDEES



people to hear and discuss the many facets and challenges of organisational life.

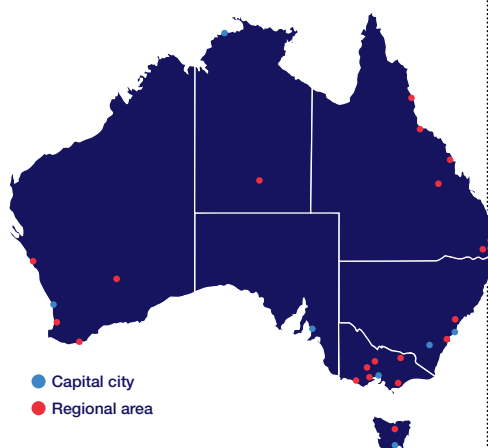
We continue to see more people come to fully appreciate the increasingly complexity, and to understand fiduciary and statutory duties and the risks involved in failing to fulfil them. Others leave our programs with a greater sense of the expectations of directors, board accountability and feelings of validation and empowerment to tackle concerns.

The delivery of customised programs for boards (In-boardroom) has been an area of strong growth. Through undertaking more meetings with board and corporate clients, we have been able to better determine areas for potential improvement and design solutions which are more relevant and contextualised.

Our facilitators have shared war stories to create memorable learning experiences, demystifying governance while also importantly providing a framework that lifts participants above the sensational discussion of high-profile issues.

More than 290 people residing outside of Australia participated in course programs, extending awareness beyond the country's borders. In the year ahead, we will again conduct the *International Company Directors Course* in four locations offshore to broaden awareness for those working across regulatory frameworks.

REGIONAL ACTIVITIES



● Capital city
● Regional area

INFORMATION AND EVENTS

In 2013/14 we published three new book titles including *Executive Appointments and Disappointments* by John H C Colvin, Justine Turnbull and Mark Blair; *Financial Fundamentals for Directors* by Dianne Azoor Hughes and *Privacy Governance* by Malcolm Crompton.

We conducted a total of 548 events, including 15 offshore. Evaluation of our events programs indicate we have helped to test, refresh and extend knowledge and understanding of governance and directorship, while also inspiring individuals by providing a platform for leading speakers. Some examples of sectors and topics covered at briefings during the year include:

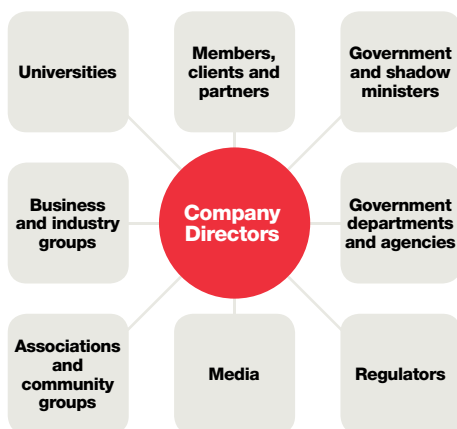
TOPICS

- Culture and leadership
- Big issues for boards
- Reporting to the board
- Boardroom power
- Financial reporting
- Intellectual property (IP)



More than 627,000 unique page views of our Director Resource Centre

OUR STAKEHOLDERS



- Workplace health & safety
- Funding
- Digital strategy and social media
- Privacy
- Fraud
- Media management

SECTORS

- Public
- Healthcare
- Not-for-profit, including sporting organisations
- Small to medium enterprise

COMPANY DIRECTOR MAGAZINE

In the year ahead and in response to feedback from a recent member survey, we will broaden the range of topics and diversity of interviewees featured in *Company Director* magazine, to achieve a greater balance and improve relevance.



Company Directors Course

BUSINESS OWNERS

A new project designed specifically to address the needs of business owners commenced during the year. This project will include the facilitation of greater access to content on topics such as director liability, risk, strategy and board performance via an online resource centre.

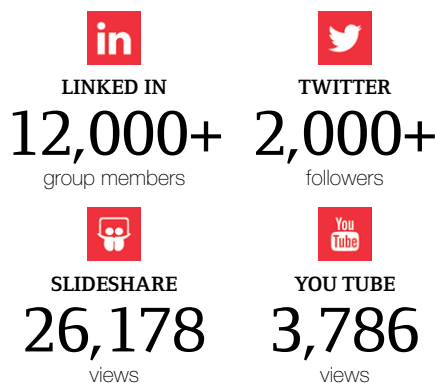


Women represented 36 per cent of all program participants in 2013/14

“Company Directors has long endorsed the ASX Corporate Governance Council’s ‘if not, why not’ reporting regime. It recognises the evolving nature of corporate governance and that there is no single model of good corporate governance.”

Submission to the Australian Shareholders Association (ASA), September 2013

SOCIAL NETWORK REACH 2013/14



Quality laws, principles and practice

We believe there is much opportunity to improve the quality of laws and a great need for ongoing consideration of good governance principles and their practical application. We aim to work with those who are aware of inappropriate or sub-optimal governance to encourage improvements and have a positive impact on overall organisational effectiveness.

POLICY AND ADVOCACY

The quality of our laws, regulations and governance frameworks are critical to facilitating an environment that is conducive to director and organisational effectiveness. In addition to building understanding of directors and raising awareness of good governance, we have worked directly to influence international, federal and state legislation, regulations and principles, including in the following areas:

- Director liability: achieved a significant reduction in the number of liability provisions applying to directors in state legislation.
- Self-funded education: provided comments to Federal Treasury on the proposed cap on work-related education expenses in July 2013. The Federal Treasurer announced in November it would not proceed with the proposed change.
- Calling for an overall clean-up of regulation, recommending an approach to getting new regulations right and reforming regulators in our policy paper *Towards Better Regulation*.
- The performance of the Australian Securities and Investments Commission (ASIC) and ASIC's deregulatory initiatives.
- Proposed repeal of the Australian Charities and Not-for-profits Commission (ACNC).
- Access to Justice Arrangements: In line with our submission, the Productivity Commission



Business centres providing a venue for practice discussions

recommended that litigation funders be required to hold a financial services licence, be subject to capital adequacy requirements and meet appropriate ethical and professional standards.

- *Corporations Act* 2001 legislative amendments: continued advocacy regarding the 100-member rule, the solvency test for payment of dividends and reform to remuneration reports.
- Australian listed companies: ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, ASX Listing Rules and Australian Shareholders' Association monitoring of ASX companies.
- Superannuation: Financial System Inquiry; Federal Treasury review of regulation and governance, transparency and competition and APRA risk management practice.
- International Integrated Reporting Framework: highlighted potential director liability issues.
- Governance of incorporated associations and state-owned corporations in NSW.
- Financial Reporting Council (UK) Directors' remuneration consultation.

All public policy submissions are available on our website.

INTERNATIONAL FOCUS

The Global Network of Director Institutes (GNDI) Policy Committee (chaired by our General Manager of Policy & Advocacy, Rob Elliott), has developed perspective papers on integrated reporting; board – shareholder communications and short-termism this year. GNDI also made submissions on the draft integrated reporting framework and best practice principles for governance research providers, including proxy advisers.

We are also developing more webinars and e-learning programs, while continuing to deliver events and establishing more international partnerships to enhance our global impact.

DIRECTOR, BOARD AND GOVERNANCE PRACTICE

Our primary focus is on educating and sharing information on directorship and governance practice. Wherever possible, we also seek to understand how our output translates into enhanced quality and practical outcomes. Some examples of the impact of our work are outlined on page 13.



Malcolm Crompton FAICD launching *Privacy Governance*

IN-BOARDROOM PROGRAMS

334

Directly influencing board practice

COURSE PARTICIPATION

21

Average participant size per public program

- Graduates of the *Company Directors Course* – who started with reasonable awareness of directorship – reported leaving with new thinking on decision-making, a better sense of what to prioritise and additional ideas on how to take their practice to the next level. In many instances, participants have recognised the need to keep reviewing the effectiveness and currency of their policies and procedures. Others have asked critical questions of their organisations, formed personal director development plans and set board and governance reviews in motion.
- We have assisted entities to improve understanding of the obligations of directors and officers under the *Corporations Act 2001* and also to analyse compliance systems to identify where practice requires improvement.
- *In-boardroom* clients have applied course material to improve board effectiveness. One client made an immediate change to their board agenda, revamping their approach and shifting attention from operations to strategy.
- Members of *Director Nexus* groups have formed close rapport with one another. After establishing trust and respecting confidentiality, members are also communicating outside of their formal meetings regarding board matters, seeking guidance and exploring other networking opportunities.
- Attendees at events cited the value gained from attending as: "the stimulus to rethink process"; "gaining a common platform for discussion", "keeping me connected to contemporary practice" and hearing "real life experience to underpin legal discussion".
- The report, *Beyond 'if not, why not': The pathway*

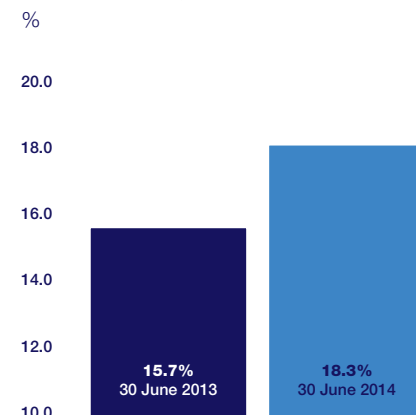
to directorships for women in leadership, by Korn Ferry, recommended aspiring non-executive directors complete the *Company Directors Course* to address gaps in boardroom skills.

- Members posting board vacancies on *Directorship Opportunities* have identified candidates with strong qualifications and a high-level commitment to governance. In one case, four new diversely-skilled directors were selected to a board at the same time. The board, and by extension the organisation, has benefited from the skill and experience the new directors have brought to the table.
- The percentage of female directorships on ASX 200 boards increased to 18.3 per cent as at 30 June 2014 (up from 8.3 per cent in 2008).
- We provided remuneration data to more than 1,000 members in response to requests for free extracts from the *2014 Australian Board Remuneration Survey and Report*, supporting members to better determine fee parameters and structures.
- A regular short course participant cited greater ability to synthesise his experiences as well as increased confidence from observing what other experienced directors are inquisitive about.

S&P/ASX 200 DIRECTORS AND BOARD COMPOSITION

	Total	Members	Representation
Unique directors	1208	546	45%
Directorships	1499	741	49%
Chairs	181	109	60%

WOMEN ON S&P/ASX 200 BOARDS



"I co-convene an active discussion group of members that focuses on topics of significance and the practice of directorship in line with the *Company Directors Corporate Governance Framework*". We value the support and encouragement received from the Institute."

Doug Jardine FAICD

DIVERSITY OF BOARD SKILL

68%

Actively seeking to increase skill diversity
(DSI: 2014)

COURSE SATISFACTION

4.6/5

For *Company Directors Course*



Enhancing director and board performance

Two pillars of our strategy include influencing the performance of today's and tomorrow's directors and boards, and in turn, the performance of the organisations they serve.

DIRECTOR & BOARD DEVELOPMENT

Through our curriculum of 68 programs, we have sought to offer meaningful, impactful, relevant and inspiring learning opportunities to support directors and boards to perform to their potential.

Three new programs – *Governance and Finance for Registered Organisations*, *International Foundations of Directorship* and *Subsidiary Boards* – were introduced and demand continued to be strong across the portfolio.

Feedback on the *Company Directors Course* (CDC) indicates that participants felt much more informed at the conclusion of their programs. Completion of the CDC also led to a better sense of the issues to be addressed and increased capability of executives to work more effectively with their boards.

The introduction of an integrated video case study (which brings problematic board behaviour to life) and the re-ordering of course modules in the CDC has assisted us to achieve high satisfaction ratings.

We have also developed an eNotes solution which will enable participants to access notes via mobile devices. The first of four online learning modules designed to assist International CDC participants' preparation has been deployed.

Development work on an optional post-CDC specialisation has commenced, in response to feedback from participants regarding opportunities to apply CDC knowledge to specialised industries and boards.

BOARD & CORPORATE SERVICES

Individually, many directors have an excellent understanding of their duties and how to perform

well. However, as boards operate as a collective and in concert with their executive, much of an organisation's ability to be effective comes down to group dynamics and relationships. Some directors who have sought to raise the quality of board performance have had their attempts stifled by colleagues who have an investment in the past. Against a frontier of higher accountability and with increased pressure on all to perform, we have been able to assist members to confront difficult boardroom behavioural issues.

The process employed with our Governance Analysis Tool™ has taken much of the fear and sense of confrontation away from boardroom performance discussions. Operating as a peer assessment, we have provided clients with the means and time to reflect and provided a vehicle for voices to be heard. We have shone a light on areas of dysfunction and uncovered possibilities to improve communication, information that comes to the board and committee structures, to name a few examples.

Even in proprietary companies, where world-class governance standards may not be a high priority, or required by shareholders, we have shown how good governance can cement goodwill and encourage focus on sustained value creation. Goodwill can be translated into the governance fabric of an organisation and ensure its lifespan extends beyond the term of the founders' involvement.

ESSENTIAL DIRECTOR UPDATE

More than 3,500 members attended the *Essential Director Update* seminars in 2013, with those participating citing an increase in knowledge. The average self-evaluation of knowledge (on a scale of 1-5) rose from 3.25 before to 4.14 after. Members also strongly agreed that the information obtained from the Update could be applied (4.33/5) and that

they would share event insights with colleagues (4.38/5).

DIRECTOR PROFESSIONAL DEVELOPMENT (DPD)

Our extended Director Professional Development (DPD) system commenced in January 2013, with members (in the class of Member, Graduate and Fellow) joining progressively upon renewal. As of 30 June 2014, a total of 13,717 members had completed their first full DPD year. These members had recorded an average of 17 units in our system. We are continuing to support all members who are unsure of how to accrue or track DPD units. All members will receive further guidance about DPD upon reaching the half-way mark of their Foundation years, including how practical experience can be counted towards DPD.

NFP GOVERNANCE AND PERFORMANCE STUDY

In early 2014, we commenced scoping our NFP director study, revamping the *Director Social Impact Study* (DSIS) which has been undertaken each year from 2010-2013. Under the revised study, we will have a greater focus on NFP governance for performance.

The 2013 study found that while overall, there is no overall perceived variance in governance of for-profits and not-for-profits, the former are thought to be better at performance monitoring. The report also featured research on governance of sports organisations. Participants indicated there was room for performance improvement in this sector. Publishing these studies has provided a catalyst for further discussion of director and board performance in this sector.

COMPANY DIRECTORS CONFERENCE

More than 400 delegates attended the *Company Directors Conference, Directorship:14* in May, which was themed "Igniting the growth agenda". The Conference achieved an overall satisfaction rating of 4.32/5 and 4.43/5 for "access to knowledge and information" (which was cited by 82 per cent of delegates as the core driver of attendance). The most highly rated speaker this year was Dr Robert Kay, co-founder and executive director of innovation advisory firm, Incept Labs. More than 80 delegates said they would welcome the opportunity to hear Dr Kay speak again.

EMERGING DIRECTORS

We recognise one core need of our members is to realise potential and find career fulfilment. We have worked on a number of initiatives to better facilitate opportunities for emerging directors and those looking to add to their portfolios, including:

DIRECTOR PROFESSIONAL DEVELOPMENT

13,717

1st foundation year completed

DECISION-MAKING FOR GROWTH

4.9/5

Rating: Dr Robert Kay session

GOAL TO PURSUE DIRECTOR CAREER

5,000+

Nominated since early 2013

SCHOLARSHIPS FOR WOMEN

140

Partnership with Australian Government for 2014-2016



Elizabeth Masamune PSM MAICD discussing growth opportunities at Company Directors Conference

- Securing an Australian Government grant to offer scholarships to 140 women for 2014-2016, valued at \$650k. A further 34 scholarships for women on not-for-profit boards were made possible with the support of the Victorian Government and 25 scholarships were opened up for women in South Australia to apply for in partnership with the Government of South Australia.
- Discussing directorship as a career in education programs has helped participants to refine their thinking about their choice of profession (more than 5,000 members had nominated directorship as a career goal as at 30 June, evidence of the increasing interest of tomorrow's directors in developing their board performance capabilities).
- Conducting *Boards seeking directors* and 'speed networking' events in several states has assisted members to secure board placements and find new directors.
- Continuing the *Director Pipeline Project* (DPP) to support emerging female directors in Western Australia. Several past participants have secured new board roles which can be traced back to connections established through our network.
- Our South Australian team continued to host a *Tomorrow's Director* series of events, including war stories lunches and a lunch themed 'Directors without borders – the international director'.
- Optimising the *Directorship Opportunities* platform. We have also stressed the importance of due diligence before joining a board, as well as the need for robust induction processes, so that new directors understand the business, the conflict register and potential risks for existing directors as they apply to new roles.
- Committing support to a new board observer program to be launched in 2014/15.
- Facilitating the third Chairmen's Mentoring Program for 55 women to be mentored by ASX 200 chairs and senior directors.
- Launched our second Public Sector mentoring Program for aspiring female public sector directors in ACT.

In addition, we know that a greater number of younger directors are undertaking our programs. This has the potential to change board dynamics in the years ahead, as there is a noticeable diversity in thinking styles and there appears to be a greater willingness to challenge entrenched practice. Similarly, we expect the intergenerational change occurring in many community-based organisations will have a positive impact on governance structures.

ASX PROGRAM

Fifteen roundtable events for directors of ASX 200 companies were held across the country. Topics of discussion included: business and government engagement; digital disruption and innovation; productivity; strategy and growth. This program is regarded by those who have attended as a means of ensuring that critical issues are placed on the board agenda and deliberated effectively.

THANK YOU

We thank all of our stakeholders for their commitment to enhancing director and board performance. In particular, we appreciate those who have actively participated in our activities and given so generously of their time and intellect. We also are very grateful to each and every one of our members and past participants who have referred someone to us. Everyone who advocates for the achievement of excellence in director, board and organisational performance is an essential part of our community and vital to our ongoing sustainability.

27% of females appointed to ASX 200 boards 2010-14 have participated in our Chairmen's Mentoring Program

AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS

2014 FEMALE NON-EXECUTIVE DIRECTOR APPOINTMENTS TO ASX 200 BOARDS
1 JANUARY 2010 - 1 JANUARY 2014



"The Director iPad app is a great initiative and a perfect way for me to keep up-to-date. As I'm always out and about, I use technology to remain relevant and impact my performance."

Allan Ryan MAICD



Melinda Muth FAICD, speaker at The Art of Boardroom Performance

"The most valuable aspect of the event was developing understanding of the measure of what drives good performance"

The Art of Boardroom Performance, briefing participant