

AUSTRALIAN INSTITUTE  
of COMPANY DIRECTORS

# Australian Institute of Company Directors

*2016 Annual Review*



The Australian Institute of  
Company Directors® (AICD®)  
produces this Review to provide  
our members and the wider  
community with an overview of  
the organisation's performance  
against our key strategic objectives  
for the year ended 30 June 2016.

Our audited financial statements are published in our Financial Report for the year ended 30 June 2016. This Review is designed to be read in conjunction with the Financial Report. It has not been the subject of an audit, but it contains figures extracted from our audited financials. Reference to "we" and "AICD" in this Review refer to the "Australian Institute of Company Directors". This Review is also available at [companydirectors.com.au/annualreport](http://companydirectors.com.au/annualreport)

# Our mission

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The Australian Institute of Company Directors is committed to excellence in governance. We make a positive impact on society and the economy through governance education, director development and advocacy.

## Strategic aspirations

Facilitate access to, and adoption of, the world's best governance practices. Encourage high engagement of members and clients to increase their satisfaction and foster loyalty.



### Education

The world-leading governance education provider, committed to enriching the practice of directorship and building the capability and performance of organisations, directors and executives.



### Members and Directors

Deliver professional services and resources to assist members to access, adopt and benefit from cutting-edge governance practices.



### Advocacy

Advocate for excellence in governance and directorship to positively impact society and the economy through improving standards and maximising the benefits of good governance for organisations and their stakeholders.



### Clients

Provide high-quality governance services to assist boards and organisations to improve performance through the adoption and application of world's best governance practices.



### Financial Sustainability

Solidify our financial model to fund long-term development and achievement of our strategic objectives.

# Chairman's Report

“With our membership reaching 38,815 we remain the largest director institute in the world.”

On behalf of the Board, I am pleased to present this review of the performance of the Australian Institute of Company Directors (AICD).

Throughout FY16, the AICD has continued to flourish – achieving unprecedented member growth, as well as record numbers of participants in our *Company Directors Course*<sup>™</sup>. This year, and for the first time in our history, more than 4,000 people have undertaken this flagship course for aspiring directors and governance professionals.

The ongoing demand for our education programs reflects the continued commitment by the AICD to be the gold standard of governance education in Australia.

With our membership reaching 38,815, we remain the largest director institute in the world. While the number of members is significant, it is the diversity of our membership that strengthens our ability to deliver on our mission to achieve excellence in governance and make a positive impact on society and the economy through governance education, director development and advocacy.

At the end of FY16, 55 per cent of our members came from the private sector, 20 per cent from not-for-profit (NFP), 12 per cent from the public sector and 13 per cent from listed companies. Thirty per cent of our membership is now female and 38 per cent of new members are women.

Diversity remains an important issue for the AICD and is a key pillar of our advocacy agenda. In FY16, we saw great progress. Significantly, the number of women on ASX 200 Boards increased from 20.6 per cent (1 July 2015) to 23.4 per cent (30 June 2016). However, it is the over 40 per cent new appointment rate since January 2016 that is most encouraging. If we continue at this rate, we will achieve our target of 30 per cent women on ASX 200 Boards by the end of 2018.

The AICD speaks to Government regularly on behalf of our members. This year we broadened our policy agenda to address issues of national importance in our report *Governance of the Nation: A Blueprint for Growth*.

The *Blueprint for Growth* set out six key initiatives for change which, if implemented, would achieve better social and economic outcomes for all Australians. In the past we have pursued a narrow policy agenda but now recognise that we have an important role in broader debate about issues related to the governance of the nation.

I wish to acknowledge the contribution of the directors and executives who left the Board of the AICD during the year: Kathleen Conlon FAICD, Anne O'Donnell FAICD and Kevin Osborn FAICD, and in particular, I would like to thank Michael Smith FAICD our former Chair and Yasmin Allen FAICD who acted as Chair through this last year.

I would also like to welcome our new directors; Michael Coleman FAICD, Kathy Gramp FAICD, Tracey Horton FAICD, Liesel Wett FAICD and Kee Wong FAICD and thank my colleagues on the Board for electing me to this role. It is a tremendous honour to serve as Chairman of the AICD.

“Throughout FY16, the AICD has continued to flourish – achieving unprecedented member growth, as well as record numbers of participants in our *Company Directors Course*.”

I would also like to acknowledge Henry Bosch AO FAICD, Linda Nicholls AO FAICD and Malcolm Irving AM FAICD who became Life Fellows of the AICD. Lastly, thank you to all AICD Division Councillors, members and staff for their services to the governance community.



**Elizabeth Proust AO FAICD**  
Chairman



# MD and CEO's Report

"I am particularly pleased with the work we have done to better engage with you – our members and clients – and ensure you have access to the latest and most topical governance news and resources."

Throughout FY16 the Australian Institute of Company Directors (AICD) has continued to mature and advance our mission to promote excellence in governance in Australia and globally.

Our key milestones for FY16 included an increase in revenue, the quality of our education measured by continued high ratings for our courses, the appointment of our chief economist, a record number of participants completing our *Company Directors Course* and our celebrated WA Division Rottneest Forum reaching its 40th year.

A particular highlight was the inaugural annual Australian Governance Summit™. With close to 1,000 directors and governance leaders descending on Melbourne for the two day Australian Governance Summit it has quickly established itself as the key event on the governance calendar in Australia.

To promote the *Blueprint for Growth* – which seeks to establish an agenda for our nation and its political leaders based on well-established principles of good governance – our Board and leading directors met with the Prime Minister, Leader of the Opposition, senior Ministers, Shadow Ministers, the Greens and up-and-coming Government and Opposition back-benchers over two days in Canberra. This was an excellent exercise in boosting our profile and influence in the national policy agenda.

We also had a significant win this year with the Government's proposed reforms to insolvency laws. The proposed changes are something for which we have strongly advocated and will be a critical step towards creating a business environment that allows company directors to take the considered risks necessary to fuel innovation, entrepreneurialism and economic growth.

Reflecting our commitment to serving our members and clients with a sector based approach, this year we established the NFP Chairs' Forum. The establishment of a dedicated forum which brings together leaders from across the NFP sector is recognition of our commitment to working with NFP's to help them achieve better outcomes through good governance.

In FY16, our revenue increased by more than 10 per cent to \$67.1 million. Our strong revenue growth enabled us to invest in technology to improve our member and client experience through a new learning management system and enhancements to our website. We also invested in the development of a new business centre, member lounge and staff facilities in South Australia and are planning similar developments in Tasmania and Queensland in FY17.

Our operating result before investment income was \$0.0 million compared to a deficit of \$3.0 million in FY15. Investment returns have been volatile and investment revenue for FY16 was \$1.0m, down from \$3.1 million in FY15. The net result after investment revenue was \$1.1m, up from \$0.2m in FY15.

I am particularly pleased with the work we have done to better engage with you – our members and clients – and ensure you have access to the latest and most topical governance news and resources. Some of the key changes include a new email subscription service with updates from our chief economist and Governance Leadership Centre™, as well as more video content.

Importantly – our new and improved website provides better access to our tools, tips and case studies and significantly improved functionality for the growing numbers of members accessing the website on mobile devices.

I would like to acknowledge the significant voluntary contribution of the Board, Division Councils and Committees. Their expertise is critical to the good governance and good policy of the AICD. Finally, thank you – our members and clients. It remains our number one priority to serve you and support you to achieve excellence in governance.



**John Brogden AM FAICD**

Managing Director & Chief Executive Officer

“With close to 1,000 directors and governance leaders descending on Melbourne for the two day Australian Governance Summit it has quickly established itself as the key event on the governance calendar in Australia.”



# Highlights



5.5%

membership  
growth

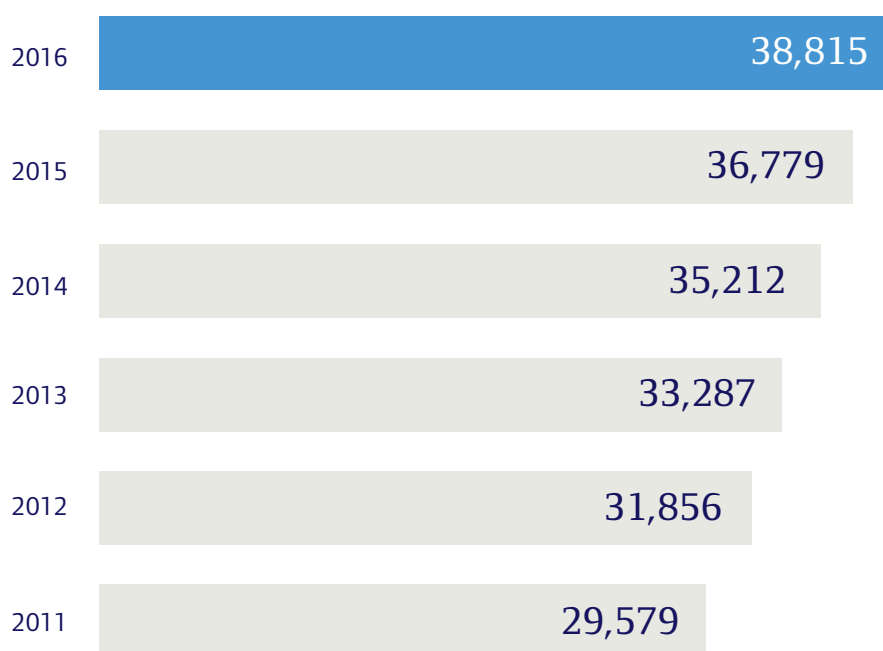


4,090

participants undertook the  
*Company Directors Course*

## Membership

(Total members as at 30 June 2016)



Introduced chief  
economist updates and  
insights for members



Launched '*Governance  
of the Nation: A Blueprint  
for Growth*'



Significant progress towards  
achieving the 30 per cent target  
for women on ASX 200 boards



## Total operating revenue \$m



535

public  
education courses

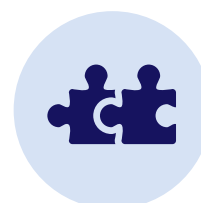
9,698

enrolments  
in webinars

15,000+

members in the AICD  
LinkedIn group

17.5%

international  
member growth

396

in-house  
education coursesExpanded governance insights  
and research through our  
Governance Leadership CentreAdvocated for better governance  
in corporate law reform, the innovation  
agenda and corporate reporting

980

attendees at the Australian  
Governance Summit

# Our members

Our members are part of a diverse community of directors and governance leaders, from the private, public, not-for-profit and listed sectors.

“The *Company Directors Course* was an absolutely fantastic experience. It was well organised, the material was comprehensive and thorough and I made some great networks.”

**Philippa Murphy GAICD**

Director of Investments, Vannin Capital Ltd



“I have been able to connect with other aspiring directors, as well as established directors who have given me some excellent guidance and advice. I am still in touch with many of them.”

**Julia Reynolds GAICD**

Director, Australian Institute of Mine Surveyors

“I found the assessments very useful. Each assignment assisted me in my role as an executive at Bega Cheese and also in my role on the board of Infant Nutrition Council of Australia and New Zealand.”

**Hamish Reid GAICD**

General Manager – Nutritionals, Bega Cheese Ltd





40 YEARS OF THE ROTTNEST FORUM



GUESTS AT THE WA GALA DINNER



2016 AUSTRALIAN GOVERNANCE SUMMIT



THE CHAIRMAN AT THE AUSTRALIAN GOVERNANCE SUMMIT



SA BUSINESS CENTRE AND MEMBER LOUNGE



# Board members

## Elizabeth Proust AO FAICD

CHAIRMAN

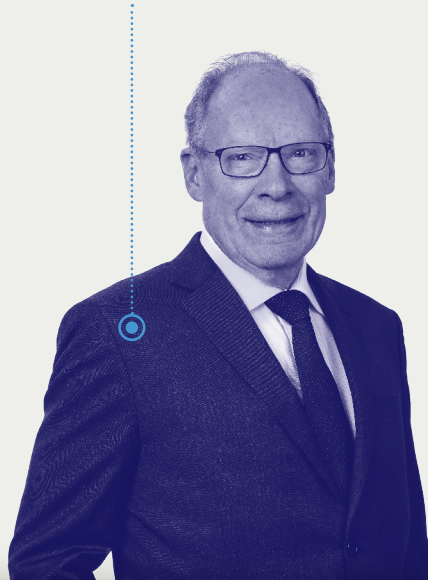
- Nominations Committee – Chair
- Strategy Committee – Member
- National Director



## Gene Tilbrook FAICD

DEPUTY CHAIR

- Strategy Committee – Chair
- Investment Committee – Member
- Nominations Committee – Member
- WA Division Director



## David Bayes FAICD

- Human Resources & Remuneration Committee – Chair
- Audit, Risk & Compliance Committee – Member
- VIC Division Director



## Michael Coleman FAICD

- Audit, Risk & Compliance Committee – Chair
- NSW Division Director



## Kathy Gramp FAICD

- Audit, Risk & Compliance Committee – Member
- SA/NT Division Director



## Peter Hay FAICD

- Human Resources & Remuneration Committee – Member
- Investment Committee – Member
- National Director



**E/Prof Tracey Horton FAICD**

- Human Resources & Remuneration Committee – Member
- National Director

**Dr Sally Pitkin FAICD**

- Investment Committee – Member
- Nominations Committee – Member
- Strategy Committee – Member
- QLD Division Director

**Rod Roberts FAICD**

- Investment Committee – Chair
- Audit, Risk & Compliance Committee – Member
- TAS Division Director

**Liesel Wett FAICD**

- Human Resources & Remuneration Committee – Member
- ACT Division Director

**Kee Wong FAICD**

- Strategy Committee – Member
- National Director

**John Brogden AM FAICD**

- Managing Director & Chief Executive Officer



## MEMBER PROFILE



## Francis Wong OAM FAICD

Member since 2015

Francis Wong OAM FAICD moved to Adelaide from Brunei in 1988 and founded Encounter Australia, which he built into one of Australia's leading inbound tourism companies.

## A fresh view

Francis Wong sits on several boards including Tourism Australia, Football Federation SA, the Women's and Children's Hospital Foundation SA, the Adelaide Festival Centre Foundation and Chairman of Council for International Trade & Commerce SA. He is also national president of the Australia Brunei Darussalam Business Council, patron of charity Sight for All and recently stepped down from the board of Adelaide United.

Initially, Wong confronted a lot of naysaying about his decision to base his business in South Australia but over time his decision has been vindicated.

"Back then people thought it was a crazy thing to set up a tourism company in South Australia," Wong recalls. "But people are now looking for the authentic experience, the nature, the green space, the blue sky and the blue water. Tourists don't want to go to theme parks anymore."

The changing tastes have been driven in large part by the rise in tourism from China. The experience of building a company off the back of this surge in Chinese tourism has made Wong a strong advocate for Australian businesses forging closer ties with Asia. But he warns Australians should understand the full diversity of the region.

"Often companies will say 'I'm going to Asia!' and Asia for them will be one single entity, or they will actually just mean China. Asia is made up of many different economies and each has a different approach to doing business," says Wong.

Wong also believes that Australia's boards – to be at their most effective – should look at becoming more diverse across a range of demographics.

"Boards are changing organically but not quickly enough. We still need more people from different nationalities, cultures, background, more women and more young people," Wong says.

The need for change on boards is not something that Wong just preaches. He has retired from boards when he feels like he has achieved what he set out to do, which then allows the board to revitalise.

"I stepped down from Adelaide United the day they won the A-League. Everyone was shocked, they said when you win, you stay on. I said, no, a good director should move on," Wong says.

"If you're serious about whatever you're doing in business, in sport, or in charity, you have to refresh."



“ I stepped down from Adelaide United the day they won the A-League. Everyone was shocked, they said when you win, you stay on. I said, no, a good director should move on.”

Francis Wong OAM FAICD



# Education



62

course writers



153

course facilitators



13

course markers

Our world-class courses have been designed by experts to suit your specific professional development needs.

## Gold standard education

This year we continued to focus on what we do best – deliver gold standard education courses.

Our engaging and contemporary courses are delivered by experienced director facilitators and build the capability of organisations, boards, directors and executives to govern for performance.

One way we do this is through our extensive suite of development options designed for experienced and aspiring directors and senior leaders across the not-for-profit, listed, private and public sectors.

We are focused on how to enhance an individual's governance journey as well as improving the governance capabilities of an entire organisation. Now, many of our world-class education courses can be delivered in-house and tailored to meet specific needs as part of our new board and executive services offering.

## An evolving curriculum

In FY16, we developed and delivered the first two in a series of *Company Directors Course Specialisations*.

The specialisations offer course graduates the opportunity to engage in a complex and specialised area of governance through detailed case studies. This year *Company Directors Course Specialisations* were conducted on *Mergers and Acquisitions* and *Preparing for Sale*.

Further tailoring our in-house education courses was a key focus of FY16 and an example of this was the successful delivery of *Company Directors Course* specifically for the governance needs of Catholic institutions.

Our international program continued to grow in FY16 and our international curriculum now includes *International Subsidiary Boards*.



## Supporting our members

In FY16, we enabled a new Learning Management System to support all course participants. The new system provides a single, intuitive portal with easy access to all essential notes, videos, e-learning modules and assessments. New Learning Centres in Adelaide and Melbourne have also enhanced the member experience of our courses.

We have introduced a new and more flexible approach to our course assessments and since this commenced on 1 February 2016, we have seen an increase in the number of participants undertaking the new, open-book style assessment for the *Company Directors Course* and *Foundations of Directorship™*.



MELBOURNE BUSINESS CENTRE AND MEMBER LOUNGE



NSW LEARNING CENTRE

The Director Self-assessment Tool (DSAT) enables members to undertake a detailed assessment of their governance knowledge and capability and provides a tailored pathway of development opportunities. In FY16 close to 2,700 members accessed the DSAT.

## MEMBER PROFILE



## David Gonski

### AC FAICD*Life*

Member since 1989

David Gonski is Chair of ANZ Banking Group and Coca-Cola Amatil. Outside the corporate sector, he is President of the Art Gallery of NSW and Chancellor of the University of New South Wales (UNSW), where he studied law and commerce in the mid-1970s.

## A boardroom leader

Perhaps best known as the author of the 'Gonski Report' on school funding, David Gonski has earned the nickname "the chairman of everything."

Gonski sees the role of the Chair as more facilitator than leader. "To me, a board is a team. I believe that the chairman is the conductor of the team. He is there as a servant of the board and, basically, his job is to make that team run well," he says.

This means making sure the board is made up of people who have diversity of knowledge, background, gender and geography, and ensuring board members contribute but don't dominate. It also means ensuring the board has sufficient information for decision-making and finding the balance between allowing board resolutions to be dealt with efficiently, while spending enough time on them to ensure the decisions are valuable.

Gonski says the biggest issue currently facing directors is how to balance short-term and long-term considerations when making decisions about company strategy and governance.

"Never before, in my opinion, has it become more starkly a question of whether you are governing for the long term or the short term," says Gonski.

"The question is, are you there for those holding for the long term, or the short term, or for both, which means as directors you have to make trade-offs."

A second key issue for directors is risk-taking. "Should we be risk-averse and never take a risk? In which case, maybe our company will not grow. Or should we be prepared to take risks, making sure we understand what it entails? That's a big decision," Gonski says.

Gonski says conservatism in risk-taking is in part driven by a fear of failure, with directors concerned that once a company becomes insolvent they lose the corporate protection and become personally liable.

He says that Australians tend to give people only one go, and that perhaps this should change.

"I'm not saying one should be cavalier about it; I believe in being very careful, but I do think that sometimes failure that does not involve fraud or misleading conduct is basically just part of life. Business inherently involves taking risks and sometimes when you prove something fails, you've actually taken a step for mankind by proving that it doesn't work," he says.

“ Should we be risk-averse and never take a risk? In which case, maybe our company will not grow. Or should we be prepared to take risks, making sure we understand what it entails? That’s a big decision,”

David Gonski AC FAICD*Life*



# Members



**5.5%**  
member growth



**7**  
years average  
member tenure



**15,000+**  
members in the AICD  
LinkedIn group

Our membership continues to go from strength to strength. Member numbers have shown significant growth this year, sustaining a long tradition of expansion.

## Total membership over time

Membership has consistently grown over the last five years, with continued year on year membership growth occurring in FY16 (5.5 per cent). Membership has also evolved through diversification. FY16 saw record numbers of female members and *Company Directors Course* Graduates. Finally, there has been a reduction in private sector members, with the listed and NFP sectors having a stronger presence within the membership this year.

## Member grades

The increase in member completion of the *Company Directors Course* in FY16 led to an increase in the number of Graduate members (GAICD®).

## Geographical member distribution

The International Division saw the biggest proportional growth in members this year.

## Gender diversity

Gender diversity continues to improve with the number of female members increasing 1.5 per cent from last year to reach 30 per cent in FY16.

## Sector

Sector diversity has increased with a decreasing proportion of members being from the private sector, which has contracted by 4.7 per cent since FY15.

## Member tenure

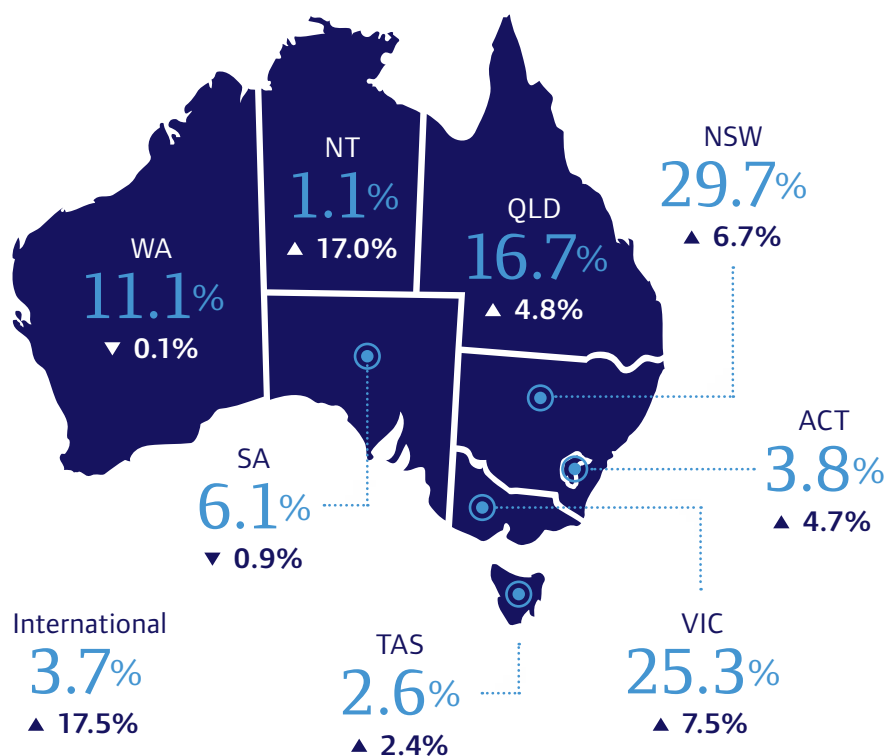
The average tenure of membership is seven years, which is consistent with FY15.

## Net Promoter Score (NPS)

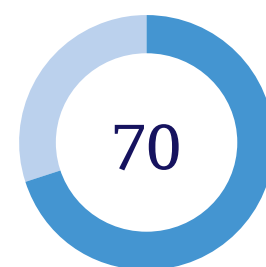
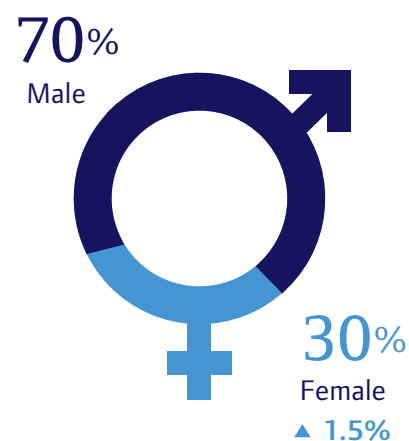
NPS – our measure of member and client satisfaction – has remained high in FY16, with three out of four NPS measures improving on the previous year.

## Geographical member distribution

▲ Divisional growth compared to 2015



## Gender diversity



highest NPS score of divisions – International division

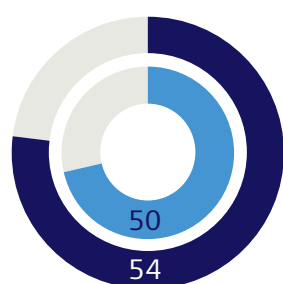
## Membership



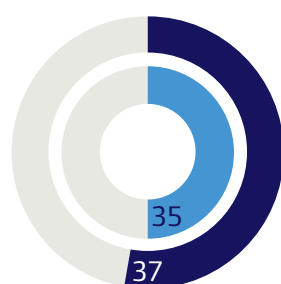
## Net Promoter Score (NPS)

2015

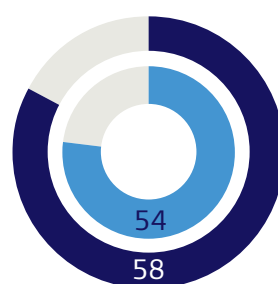
2016



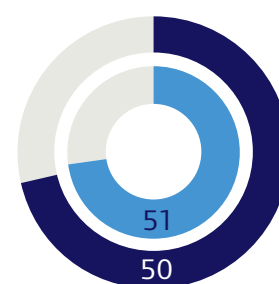
AICD Overall



Events

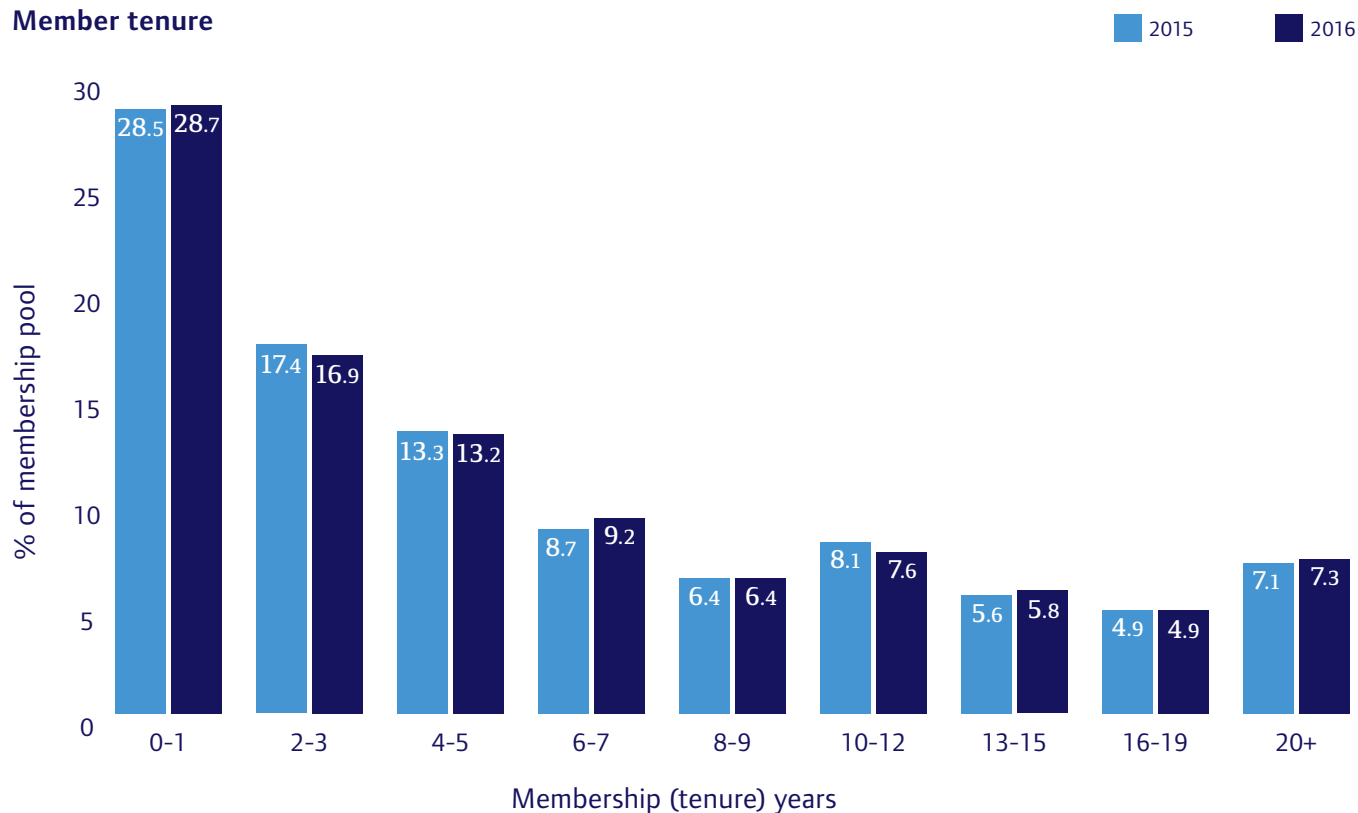


Public courses

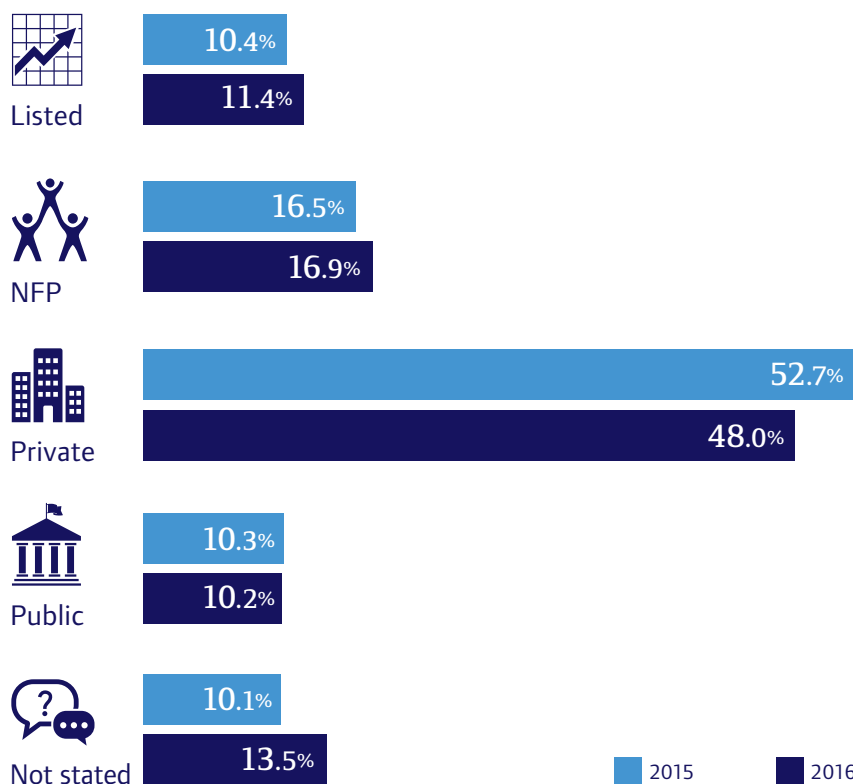


Clients

## Member tenure

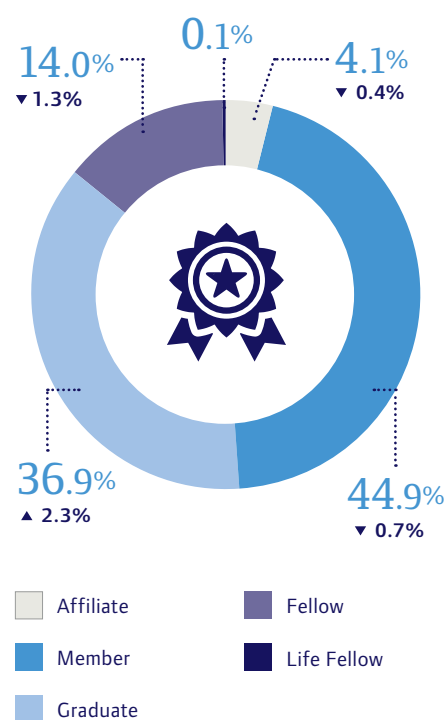


## Sector diversity



## Member grades

▲ Per cent change compared to 2015





## MEMBER PROFILE

## Change in action



### Nicola Wakefield Evans MAICD

Member since 1994

Nicola Wakefield Evans is a lawyer and director at Toll Holdings, Macquarie Group, Lendlease and Bupa Australia. She is an advocate of more diversity on boards – particularly diversity of women and Asian directors.

“I won’t be happy until we have 50/50 gender diversity and a lot more diversity around experience and culture, which I think is equally important, particularly if you’re a company operating in Asia,” says Nicola Wakefield Evans. She adds that women are the main purchasers in sectors such as supermarket, fashion, medical and aged care, yet they remain under-represented on those boards.

“You’ve got to have diversity of gender, experience and background. I don’t think we have enough Asian board members or people of Asian descent on Australian company boards. We’ve got a bamboo ceiling in this country which I think we’ve got to fix as urgently as we have to fix the gender issue.”

Wakefield Evans is well qualified to talk about the importance of cultural diversity, as her legal career eventually took her to Asia, where she ran the offshore offices of King & Wood Mallesons (KWM) in Hong Kong and advised the first wave of Chinese companies wanting to invest in Australia.

Australia’s relationships with Asia has progressed significantly over the past 10 or 15 years and many Australians don’t realise how extensive those relationships are, she says. Australia is one of the few countries to have successfully

negotiated free trade agreements with a range of Asian countries, and government-to-government relationships tend to be strong, including those with state governments.

Wakefield Evans says these relationships are paying off, notably as Australia’s economy comes out of the post-resources slump with an increase in services exports to Asia. Agriculture also presents a huge opportunity, if Australia can get it right.

The study of second languages is also a passion for Wakefield Evans and she says this is an area where Australia is falling behind and future job-seekers will suffer. “If you don’t have a second language it’s very difficult to compete in a competitive global employment market,” she says.

Wakefield Evans is also on the board of Asialink, which is Australia’s leading centre for the promotion of public understanding of the countries of Asia and of Australia’s role in the region. It provides information, training and professional networks.

“We are part of the Asia Pacific. Our closest neighbours are Asian and we have to understand our place in the world is in Asia. I think we’re doing that,” she says.

# Advocacy



National  
reform agenda



A voice for  
our members



Encouraging  
board diversity

We are an advocate for excellence in governance: promoting better regulation and high standards in governance practice, and bringing a unique governance perspective to broader debates on national priorities.

In March 2016, we released *Governance of the Nation: A Blueprint for Growth*. It recommends national reform priorities to boost national growth and prosperity and sets out an agenda for reform in six key areas.

1. Governance of the nation: promoting fixed four-year terms for the federal government.
2. Fiscal sustainability: urging spending reform and comprehensive tax reform to reduce the reliance on inefficient direct taxes and state and territory taxes.
3. Innovation and entrepreneurialism: regulatory reform to combat short-termism and risk-aversion in business decision-making.
4. Partnership with the NFP sector: calling for a shift to five-year funding cycles as best practice, and for national consistency in regulatory requirements for fundraising.

5. Human capital: increasing diversity in the workplace and encouraging workplace law reform.

6. National infrastructure: boosting productive infrastructure investment as a priority.

Our reform agenda has a focus on the long term; moving beyond the short-termism that dominates policy making and targeting growth to benefit the community as a whole.

*"The AICD has a diverse membership of more than 38,000, collectively responsible for millions of jobs and billions of dollars across the economy. We can either run with a narrow agenda, which I think we've been guilty of in the past, or attempt to have a role in the broader debate about issues for the governance of the country in the medium-to-long term. We've chosen to do the latter."*

– Elizabeth Proust AO FAICD,  
Chairman, AICD



## A strong policy voice

We seek to improve the regulatory environment for Australian governance and for directors through contribution to policy and law reform.

In FY16, we contributed to important policy reforms and reviews relevant to our members and governance practice in Australia, including:

- Accounting standards and international best practice;
- Governance of superannuation funds;
- Capability and funding of the Australian Securities & Investments Commission (ASIC);
- State and Territory legislation impacting director liability;
- Technology neutrality under the *Corporations Act*;
- Electoral reform;
- Regulation and reporting laws for not-for-profit organisations;
- Corporate culture and the role of the board;
- Role of the Australian Charities & Not-for-profit Commission (ACNC);
- Audit quality; and
- Safe harbour models for director liability under insolvency and innovation reforms.

We have an active government relations program, engaging with elected representatives and political leaders through direct briefings, events and roundtables throughout the year.

## A strong media voice

As the voice of excellence in governance, we are a regular contributor to public debate and commentary through the national media. Our contributions have included making the case for national reform priorities and for specific reforms such as safe harbour proposals and Annual General Meeting reform.

Throughout FY16, we raised the visibility of our media work with an increased focus on sharing our position on governance matters through opinion pieces and bringing the perspective of directors to reform debate.

## Tracking director sentiment

- Now in its sixth year, our *Director Sentiment Index* (DSI) remains the key survey of director sentiment on the economy, national reform and regulation. We use the insights from the DSI to inform our work policy and to provide a voice for directors in national agenda setting.
- Directors continue to rank increased investment in national infrastructure as the number one long-term priority for the Federal Government.
- Directors strongly support comprehensive tax reform.
- Directors are increasingly concerned with the effectiveness of the AGM system, and remain concerned at the impact of liability settings on risk-aversion in board decision-making.

## Governance Leadership Centre: Insights and research

We have continued to develop our Governance Leadership Centre, which fosters 'over the horizon' thinking on governance and performance.

The Governance Leadership Centre has commissioned and released research on topics from director independence to the role of governance in driving public sector innovation. Each month, the Governance Leadership Centre reports new insights and emerging trends in governance to its audience, including a quarterly review of the latest in global governance research. A monthly subscription newsletter provides a link to the latest content.



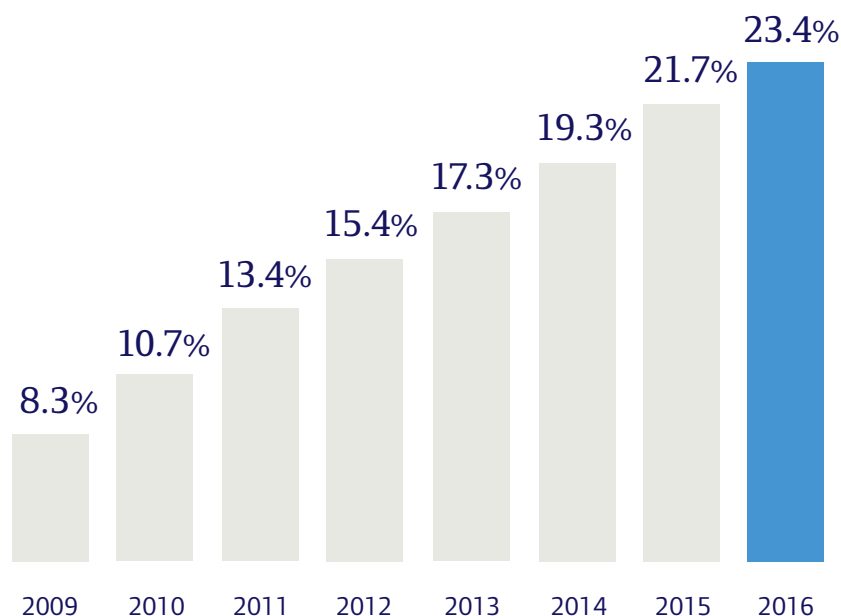
## Promoting gender diversity on Australian boards

In early 2015, we called on greater action on gender diversity for boards, asking all Australian boards to commit to achieving a minimum of 30 per cent women around the board table.

Encouraging leadership by our largest firms, we challenged the ASX 200 to meet this female representation target by the end of 2018.

During FY16 the appointment rate of female directors to ASX 200 boards reached its highest ever level, positive momentum that must be maintained to achieve our 30 per cent target.

## Percentage of female directorships on ASX200 boards



Our initiatives to support increased gender diversity on boards include:

- Producing our *Gender Diversity Quarterly Report*, tracking progress and diversity initiatives;
- Running the fourth of our *Chair's Mentoring Program*, connecting 55 female mentees with chairs and directors of ASX 200 boards;
- Launching a new diversity partnership with Chief Executive Women to support national networking and education events for current and emerging female directors, and develop gender balance guidelines for chairs and boards;
- With the support of the Federal Government, delivering the final tranche of the *Board Diversity Scholarships Program* offering 55 scholarships for talented women identifying as Aboriginal or Torres Strait Islander and women from culturally and linguistically diverse backgrounds;
- Acting as the executive for the 30% Club Australian Chapter, with 74 Chairs of ASX 200 companies (representing 89 past and current ASX 200 companies and chair roles) confirmed as supporters; and
- Working with the Federal Office for Women to support the re-launch of the BoardLinks program.



## A strong voice for NFP governance

We continued our focus on the Not-for-Profit (NFP) sector, an important and growing segment of our membership.

### NFP Governance and Performance Study

This annual study remains the only comprehensive review of NFP sector governance, highlighting important themes and trends for the sector and policy makers. Supported by the Commonwealth Bank of Australia, the 2015 study highlighted governance priorities for the sector, including:

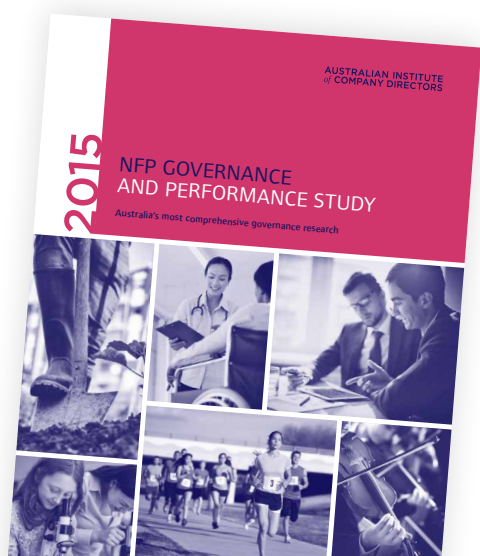
- Financial sustainability as the key priority for NFP boards;
- There was less discussion of mergers this year than in the last report;
- Collaboration is key, with 70 per cent of directors reporting active cross-sector collaboration; and
- Relationship with government, with a call for a renewed partnership approach to investment and engagement with the sector.

### NFP Chairs' Forum

In February 2016, we launched a new advisory forum of chairs from leading NFP organisations around Australia. Modelled on our long-running ASX Chairs' Forum, this new group will share insights and trends, strengthening the sector and informing the AICD's advocacy and education work.

### NFP Policy

We have been an active voice on policy issues for the sector, calling for certainty on the future of the Australian Charities and Not-for-profits Commission (ACNC) and reduced red-tape for the sector. A key platform of *'Governance of the Nation: A Blueprint for Growth'* is our call for extended funding cycles for NFP organisations, which would reduce uncertainty and create an improved environment for effective governance in the sector.



## ECONOMIST PROFILE



## Stephen Walters MAICD

Chief Economist

In 2016, we appointed our first ever chief economist who provides economic insights and analysis to contribute to policy formation.

## Economic forecasts

Appointed in April 2016, Stephen Walters joined the AICD with more than two decades of experience as an economist in both Australia and the UK. Walters was previously Chief Economist for Australia and New Zealand for investment bank JP Morgan.

Walters' appointment enables the AICD to expand its contribution to policy debate and provide you with greater insights into the issues that impact your decision-making and your organisations more broadly.

"Many economic issues have a direct impact on boardroom decisions, including Australia's fiscal position and the need for national reforms to address this. The impact of China's rapid transformation and globalisation generally are also of paramount importance," said Walters.

"It is imperative that the AICD participate in conversations about such issues."

During FY16 we provided:

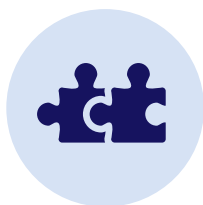
- Comprehensive analysis of the Federal Budget, presenting economic commentary and an overview of initiatives relevant to directors and governance practitioners;
- An 'opt-in' subscription service for members wishing to receive regular updates from our chief economist;
- Weekly economic round-ups and updates on key economic indicators and releases;
- Quarterly economic overview reports providing broader context for directors to inform board decision making and planning.

“ The impact of China’s rapid transformation and globalisation generally are also of paramount importance... It is imperative that the AICD participate in conversations.”

Stephen Walters MAICD



# Clients



396

in-house courses  
delivered



7,094

attendees for in-house courses  
across multiple sectors



\$25,145

average client  
transaction value

Focused on the design and execution of customised governance programs for whole-of-business and boards, our client offering furthers our commitment to excellence in governance and diversifies our revenue streams.

We have worked with more than 300 organisations, across listed, not-for-profit, public and private sectors to create tailored education solutions. We work with clients to address specific areas of governance needs and to build the capability of both boards and executive teams.

Our education courses have delivered a broad range of outcomes including improved board reporting, enhanced alignment and role clarity between boards and executive teams, increased knowledge of director duties and responsibilities, and elevated risk and finance management and oversight.

In this first year of operation, we delivered significant enhancement of systems and processes to support the business-to-business model while leveraging the strengths of our membership and public programs.

Learnings from year one have resulted in a more focused approach on industry verticals with high governance need and more relevant business models, including corporate sponsored scholarship programs.

As awareness of “governance as a team activity” grows, so too does our ability to make a significant contribution to the governance maturity of the organisations we support.

## In-House course offering breakdown



24

Company  
Directors Courses

125

Foundations of  
Directorship (modules)

99

Short  
Courses

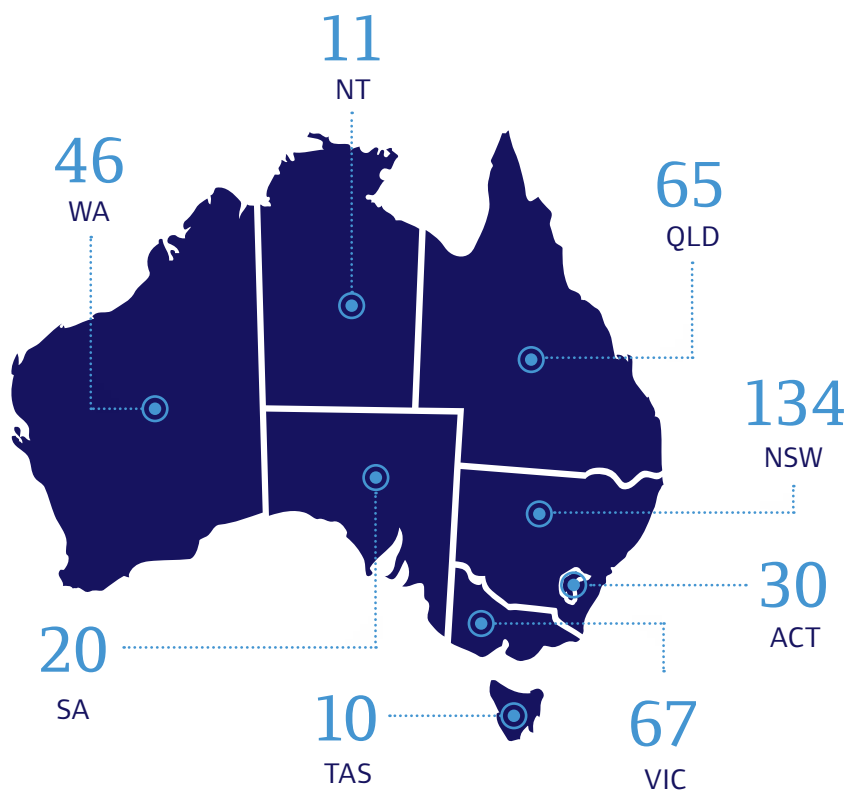
116

In-House  
customised

32

Governance  
Analysis Tool™

## In-house courses delivered



5 international



8 online



17

Indigenous programs  
delivered

200

Indigenous program  
participants

14

perpetual scholarship  
programs

228

perpetual scholarship  
attendees



## Governance Assessment Services

In FY16 we continued to grow our governance assessment services. Boards undertaking our assessment services came from the listed (17 per cent), public (29 per cent), not-for-profit (48 per cent) and private entities (6 per cent).

### New in FY16

In FY16 we introduced individual participant reports and benchmarking as part of our *Governance Analysis Tool* (GAT™) Standard service. We launched a new range of GAT Core™ diagnostic tools – short, sharp, high-quality tools to assist organisations in self-assessing their organisation's performance in key areas of governance oversight.

These tools may be undertaken as stand-alone assessment reviews or as a combination of topics, allowing boards to focus on areas of priority in any given year.

Our GAT Core range includes:

- Governance Structures
- Skills and Capabilities
- Board and Management Interface
- Governance of Risk
- Governance of Strategy
- Governance of Culture
- Peer-to-Peer Review
- Board Performance Review

A snapshot of areas of most concern to boards from governance reviews conducted in FY16:

1. Approach to assessing performance of the board/board committees;
2. Membership of board/board committees;
3. The board's role regarding organisational risk (appetite/analysis, treatment, monitor/review);
4. Board dynamics with respect to diversity of experience, skills, knowledge, perspective and background; and
5. The board's role in relation to organisational resources including technology, information and communication technology and human resources.



GAT Standard: NFP sector example of heat map. Grey cells reflect the topics/areas described in adjacent nodes.



## CLIENT PROFILE



## Robert Goaley FAICD

Member since 1992

In 2010, Australia's largest not-for-profit health fund HCF embarked on an overhaul of its constitution and board structure. During the overhaul, HCF employed a skills matrix to assist with selecting new board members. The focus on governance as a team activity is an important part of the HCF story.

## Whole-of-board approach

HCF chair Robert Goaley FAICD has had a challenging job shepherding the organisation through a fundamental review of its governance processes.

"We are being benchmarked against the best, including Australian Securities Exchange-listed companies," said Goaley.

We've just completed our second year using AICD's *Governance Analysis Tool*. The structure of the questions that were asked gave us the opportunity to really examine how the board as a whole is operating and how directors as individuals are performing. Last year, being our first time, we used a consultant from the AICD to walk us through the report. We didn't just tick the box and we really take the comments on board because we are committed to performing to the best of our abilities.

We're prepared to put ourselves up against any of those top companies in the way we run the organisation," Goaley says.

Aside from a new constitution and refreshed board, Goaley says the business' number one focus is to keep designing and delivering products and services to make members healthier.

"We are putting in place a real uplift in technology; including

user-friendly apps for the benefit of our members. We really want to get ahead of the field," he explains. The business also has a plan to expand the number of dental clinics throughout New South Wales and other states of Australia.

It is Goaley's role to navigate the business through ongoing volatility. Key to doing this is continual innovation, he says. "I ensure the board is focused on strategic planning, risk and compliance. Our directors play an important and hands-on role in determining and monitoring our strategic planning. This is undertaken with management and corporate advisers."

Goaley notes a vital part of strategy is how the business optimises benefits for members.

"We aim to be leaders in the sector, so we're very conscious of what our peers are doing. We monitor control structures and ensure major risks are identified and managed. We scrutinise our business and its performance and we challenge management. Reports are not just taken as read, they're thoroughly discussed. But, at the end of the day, we're as focused on our member-centric culture as we are on strategy because, while 'culture eats strategy for lunch', a balanced approach to both culture and strategy is the key to success."

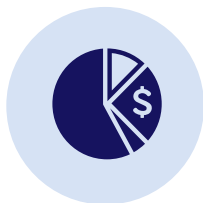
# Financial sustainability



**\$1.1m**  
net result

In FY16, we implemented a growth strategy and achieved some excellent results, enabling us to further invest in the resources, tools and facilities that enhance the experiences of our members.

Our operating result before investment income was \$0.0 million, compared to a deficit of \$3.0 million in FY15. Investment returns have been volatile and investment revenue for FY16 was \$1.0m, down from \$3.1 million in FY15. The net result after investment revenue was \$1.1m, up from \$0.2 in FY15.



**\$1.0m**  
investment returns

In February 2016, the board approved a Reserves Policy. The purpose of the Reserves Policy is to provide a framework for the AICD to set aside sufficient financial reserves to facilitate the long-term sustainability of the AICD by:

- Protecting and safeguarding assets;
- Meeting liabilities as they fall due;
- Providing resilience and capacity to manage unforeseen financial difficulties; and
- Delivering against the strategic mission and aspirations.

The following principles apply in determining the target level of reserves:

- The growth of the target level of reserves should always exceed zero in any whole financial year unless the reserve is used to fund material undertakings as set out in the strategic plan and approved by the board;
- The target level of reserves should never fall below 25 per cent of the annual forecast operating expenses; and
- The goal is to maintain reserves between 25-50 per cent of annual forecast operating expenses.



**\$67.1m**  
revenue

The AICD is a company limited by guarantee and no dividends are payable.



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