The Institute of Chartered Accountants’ compliance with the ASX Corporate Governance Principles and Recommendations with 2010 Amendments

The following table indicates how the Institute of Chartered Accountants Australia complies with the ASX Corporate Governance Principles and Recommendations with 2010 Amendments. Good corporate governance is a fundamental part of the culture and business practices of the Institute. The key aspects of the ICAA’s corporate governance framework and primary corporate governance policies for the 2012-13 financial year were reported in the Corporate Governance Statement (CGS) of the Annual Report 2013 with details provided on the ICAA website.


<table>
<thead>
<tr>
<th>PRINCIPLE/RECOMMENDATIONS</th>
<th>COMPLIANCE</th>
<th>HOW ICAA COMPLIES AS OUTLINED IN THE ANNUAL REPORT</th>
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| **Recommendation 1.1:** Companies should establish and disclose the respective roles and responsibilities of board and management. There should be clarity regarding individual director responsibilities, organisational expectations of directors and the role of the board. | ✓ | See section dealing with the Board of Directors and Role of CEO, page 36 See ICAA website:  
- Institute Charters  
- Our governance model |
| **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives. | ✓ | See Monitoring performance, page 38 |
| **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1. | ✓ | See Guide below |
| **Guide to reporting on Principle 1:** | | |
| 1. Provide an explanation in the CGS of the Annual Report of any departure from Recommendation 1.1, 1.2 or 1.3 | ✓ | No departures |
| 2. Include in the CGS whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed. | ✓ | See Monitoring performance, page 38 |
3. Make a statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.

See Adding value through Board structure page 37
See Board Charter ICAA website:
- Institute Charters

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<tr>
<th>Principle 2: Structure the board to add value</th>
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<tbody>
<tr>
<td><strong>Recommendation 2.1:</strong> A majority of the board should be independent directors.</td>
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<td><strong>Recommendation 2.2:</strong> The chair should be an independent director.</td>
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<td><strong>Recommendation 2.3:</strong> The roles of chair and chief executive officer should not be exercised by the same individual.</td>
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<td><strong>Recommendation 2.4:</strong> The board should establish a nominations committee.</td>
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<td><strong>Recommendation 2.5:</strong> Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.</td>
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<tr>
<td><strong>Recommendation 2.6:</strong> Companies should provide the information indicated in the Guide to reporting on Principle 2.</td>
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**Guide to reporting on Principle 2:**

1. Include in the CGS the skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report. | ✓ | See Board profiles, page 32 |
2. Include in the CGS the names of the directors considered by the board to constitute independent directors and the company’s materiality thresholds. | ✓ | Disclosed in Annual Report
See Appendix for Disclosure 1 |
3. Include in the CGS the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships. | ✓ | See Board composition, page 36 |
|   | Include in the CGS a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company. | ✓ | Disclosed in [Governance Manual](#) on ICAA website  
See Appendix for additional disclosure 2 |
|---|---|---|---|
|   | Include in the CGS a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board. | ✓ | The ICAA recognises that a diverse workforce contributes to more successful outcomes for staff and Board members. A Diversity and Equal Opportunity Policy has been developed. The Board has set a KPI of 30% for gender diversity on the Board by 31 December 2013.  
The Nominations Committee’s priority is to ensure that the composition of its Board is more consistent with the ICAA’s membership profile. The Board Charter clearly states that it should comprise directors with a broad range of skills, experience and diversity. |
|   | Include in the CGS the period of office held by each director in office at the date of the Annual Report | ✓ | See Our Board, page 32/33 |
|   | Include in the CGS the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out. | ✓ | See Board and committee meetings, page 34  
Appendix disclosure 3 |
|   | Include in the CGS whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed. | ✓ | Evaluations conducted for Board in June 2013 with a recommendation considered by the Board in August 2013. |
|   | Include in the CGS an explanation of any departure from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6. | ✓ | No departure |
|   | Make a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors publicly available, ideally by posting it to the company’s website in a clearly marked corporate governance section. | ✓ | See [Board and regional council election](#) on the ICAA website |
|   | Make the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee, ideally by posting it to the company’s website in a clearly marked corporate governance section. | ✓ | See the [Charter of the Nominations Committee](#) on the ICAA website |
12. Make the board’s policy for the nomination and the appointment of directors publically available, ideally by posting it to the company’s website in a clearly marked corporate governance section. ✔ See Board & Regional Council Elections on the ICAA website

**Principle 3: Promote ethical and responsible decision-making**

**Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
- The practices necessary to maintain confidence in the company’s integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. ✔ See Code of Conduct under Board composition, page 36
  See also Code of conduct on the ICAA website

**Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. ✔ The ICAA has developed a diversity and EEO policy. The Nominations Committee considers issues of diversity in developing its selection criteria, skills, mix and process for recommending candidates to Regional Council for appointment to the Board and voting if required by the membership

**Recommendation 3.3:** Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. ✔ The Board has set a KPI of 30% for gender diversity on the Board by 31 December 2013. There are currently three female directors on the Board of 11 members.

**Recommendation 3.4:** Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. ✔ See Employees, page 29
  Senior executives – see ICAA website ‘Management Team’
  See Our Board, page 32

**Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3. ✔ See Guide below
<table>
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<tr>
<th><strong>Guide to reporting on Principle 3:</strong></th>
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<tbody>
<tr>
<td>1. Include in the CGS an explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5</td>
<td>✓</td>
<td>No departure</td>
</tr>
<tr>
<td>2. Make any applicable code of conduct or a summary publicly available, ideally by posting it to the company’s website in a clearly marked corporate governance section.</td>
<td>✓</td>
<td>Meet the requirements as Governance Manual on the ICAA website has Code of Conduct.</td>
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<td>3. Make the diversity policy or a summary of its main provisions publicly available, ideally by posting it to the company’s website in a clearly marked corporate governance section.</td>
<td>✓</td>
<td>See Diversity &amp; Equal Opportunity on the ICAA website</td>
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**Principle 4: Safeguard integrity in financial reporting**

**Recommendation 4.1:** The board should establish an audit committee.  
✓ See Board and committee meetings page 34  
See Board Committees on ICAA website

**Recommendation 4.2:** The audit committee should be structured so that it:  
✓ Consists only of non-executive directors  
✓ Consists of a majority of independent directors  
✓ Is chaired by an independent chair, who is no chair of the board  
✓ Has at least three members  
✓ See Board committees, page 37

**Recommendation 4.3:** The audit committee should have a formal charter.  
✓ See Charter on the ICAA website

**Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.  
✓ See Guide below
### Guide to reporting on Principle 4:

| 1. | Included in the CGS the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out. | See Governance report, page 34 |
| 2. | Include in the CGS the number of meetings of the audit committee. | ✓ | See Governance report, page 34 |
| 3. | Include in the CGS an explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4. | ✓ | No departures |
| 4. | Make the audit committee charter publicly available, ideally by posting it to the company’s website in a clearly marked corporate governance section. | ✓ | See Charter on the ICAA website |
| 5. | Make information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners publicly available, ideally by posting it to the company’s website in a clearly marked corporate governance section. | | Disclosed in the Charter for Audit & Risk Committee who reviews this annually - also provided this detail as per disclosure 5 below in the Annual Report |

### Principle 5: Make timely and balanced disclosure

#### Recommendation 5.1:
Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those polices.

|  | X | See Communication, page 38 |
|  |  | Not applicable as ICAA is not ASX listed entity |

#### Recommendation 5.2:
Companies should provide the information indicated in the Guide to reporting on Principle 5.

|  | X | See Guide below |

#### Guide to reporting on Principle 5:

| 1. | Include in the CGS an explanation of any departures from Recommendations 5.1 or 5.2 | X | See Communication, page 38 |
|  |  | Not applicable as ICAA is not ASX listed entity |
2. Make the policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements publicly available, ideally by posting them to the company’s website in a clearly marked corporate governance section. | X | Not applicable as ICAA is not ASX listed entity

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<tr>
<th>Principle 6: Respect the rights of shareholders</th>
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| **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | ✔ | Notice of AGM in Charter magazine in September/October 2013 See Annual General Meeting on ICAA website for proxy and Business to be received

| **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6. | ✔ | See Guide below

<table>
<thead>
<tr>
<th>Guide to reporting on Principle 6:</th>
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| 1. Include in the CGS an explanation of any departures from Recommendations 6.1 or 6.2. | ✔ | No departure
| 2. Make a description of how the company will communicate with its shareholders publicly available, ideally by posting the information on the company’s website in a clearly marked corporate governance section. | ✔ | See Annual General Meeting on ICAA website

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<tr>
<th>Principle 7: Recognise and manage risk</th>
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| **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | ✔ | See Risk Management, page 38

| **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company’s material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company’s management of its material business risks. | ✔ | See Risk Management, page 38
**Recommendation 7.3:**
The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

- ✔️ Management Representation letter from CEO and COO provided to the Audit & Risk Committee and Board
- See Risk Management, page 38

**Recommendation 7.4:**
Companies should provide the information indicated in the Guide to reporting on Principle 7.

- ✔️ See below.

**Guide to reporting on Principle 7:**

1. Include in the CGS an explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4
   - ✔️ No departures.

2. Include in the CGS whether the board has received the report from management under Recommendation 7.2
   - ✔️ See Risk Management, Page 38

3. Include in the CGS whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3
   - ✔️ See Risk Management, Page 38

4. Make a summary of the company’s policies on risk oversight and management of material business risks publicly available, ideally by posting the information on the company’s website in a clearly marked corporate governance section.
   - ✔️ Risk Management Policy Statement included on ICAA website.

**Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1:**
The board should establish a remuneration committee.

- ✔️ See Board & committee meetings, page 34

**Recommendation 8.2:**
The remuneration committee should be structured so that it:
   - ✔️ Consists of a majority of independent directors
   - ✔️ Is chaired by an independent chair
   - ✔️ Has at least three members.

- ✔️ See Board & committee meetings, page 34
**Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives.

| Recommendation 8.3: | ✓ | Remuneration Directors put forward to AGM for approval – reported in Charter magazine to members. Remuneration of executives (Management Team) on page 78 |

| Guide to reporting on Principle 8: | ✓ | See Guide below |

1. Include in the CGS (or make a clear cross-reference to) the names of the members of the remuneration committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out.

| ✓ | See Governance report, page 34 |

2. Include in the CGS (or make a clear cross-reference to) the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors.

| ✓ | N/A |

3. Include in the CGS an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4

| ✓ | No departures |

4. Make the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee publicly available, ideally by posting the information on the company’s website in a clearly marked corporate governance section.

| ✓ | See Executive Remuneration Committee, page 37
See ICAA website - governance
See Charter on the ICAA website |

5. Make a summary of the company’s policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes publicly available, ideally by posting the information on the company’s website in a clearly marked corporate governance section.

| ✓ | N/A |
Appendix

Items included on the ICAA website on reporting against the principles

Disclosure 1
Directors are considered to be independent insofar as membership does not imply or constitute a relationship that would lead to material interference with their ability to act objectively and in the best interests of the Institute.

Directors whose firms undertake work for the Institute do not participate in negotiations or discussions around such work at Institute Board meetings, and abstain from any decisions that relate to their organisation. No director or their organisation is a material supplier to the Institute, although their organisations may be material customers in certain circumstances. In forming this view, the Board has presumed a relationship is immaterial when it generates less than 5% of group revenue, and presumed material when it generates more than 10% of group revenue during a 12 month period in the absence of evidence or convincing argument to the contrary. In considering such evidence or argument, the Board takes into account the strategic value and other material but non-quantitative aspect of the relationship in question.

Disclosure 2
Institute directors may seek external professional advice at the expense of the Institute on matters relating to their role as directors of Institute. However, they must first request approval from the President or Deputy President; this must not unreasonably be withheld. If permission is withheld, the matter may be referred to the whole Board.

Disclosure 3
The Board must annually review its performance and that of each Director. The Nominations Committee recommends to the Board the skills and competencies required on the Board and assesses the extent to which those skills are represented on the Board. At the Board’s request, it facilitates the evaluation of the Board and the Advisory Committees and the performance of individual Directors. An evaluation was performed in line with this process in June 2013.

Disclosure 4
The Audit and Risk Committee undertakes a full review of the audit engagement before deciding to reappoint the existing audit firm or seek tenders on the open market. The Institute is not subject to mandatory rotation of audit partner under principle 4.5. The Institute has not complied with Principle 4.5 of the ASX Corporate Governance Principles relating to continuous disclosure as it is not an entity listed on the Australian Securities Exchange.

Disclosure 5
Risk management
The Institute’s Executive Business Risk Management Committee is charged with identifying, assessing, monitoring and managing risk and compliance across the organisation. The committee reports to the Audit and Risk Committee on an ongoing basis. The Institute’s approach to risk management is an integral part of the management processes and culture and underpins the success of business activities. The Executive Business Risk Management Committee implements the framework to identify, assess, monitor and manage risk and compliance across the organisation. The committee is made up of the CEO, COO and executive management team.

Disclosure 6
Risk management
The Institute’s Executive Management Team (EMT) is charged with identifying, assessing, monitoring and managing risk and compliance across the organisation. Reports are provided to the Audit and Risk Committee on an ongoing basis. The Institute’s approach to risk management is an integral part of the management processes and culture and underpins the success of business activities.

The EMT implements the framework to identify, assess, monitor and manage risk and compliance across the organisation. The CEO/COO report risks to the Audit and Risk Committee on an annual basis. Grant Thornton has been engaged as the Institute’s internal auditors since July 2008. The Internal auditors provide a report on an annual basis to the Audit and Risk Committee.