

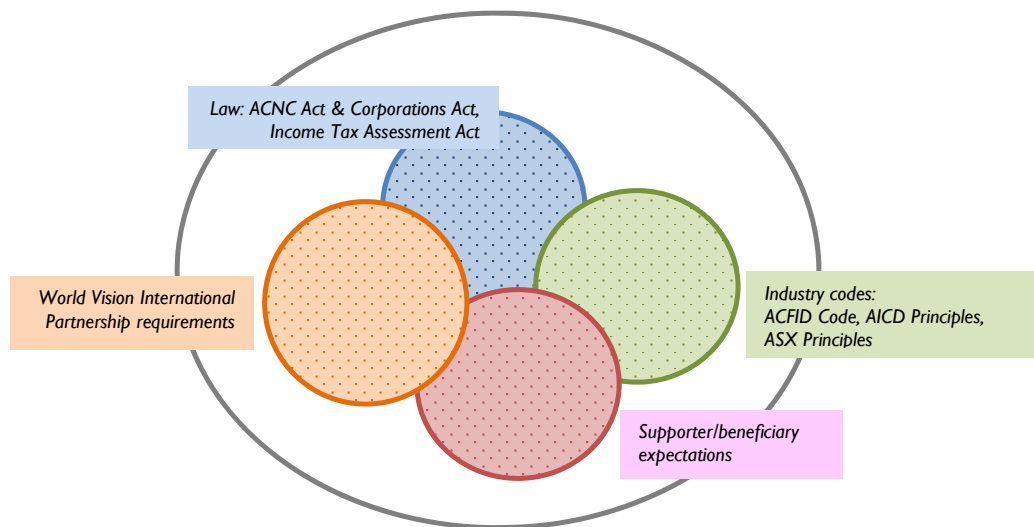
WORLD VISION AUSTRALIA

Corporate Governance

At World Vision Australia, we understand “corporate governance” to be the framework of systems and processes, rules and relationships, within and by which, authority in an organisation is exercised and the organisation, as a whole, is directed and controlled. Our aim with corporate governance is to create long-term, sustainable value for all our stakeholders (including our supporters and especially those we serve).

Our Board of Directors recognises its role in overseeing the determination and implementation of policies and processes that reflect good corporate governance and understands that these must, like our Core Values, inform and guide the attitudes, decisions and actions that make up the fabric of our life and work. We also recognise that this is another area in which we must continuously make improvements by considering, reviewing, testing and changing processes.

The diagram below illustrates our corporate governance environment as one in which the law, industry codes, the expectations of our stakeholders and requirements of the World Vision International Partnership interplay:



We recognise that as a registered entity under the Australian Charities and Not-for-Profits Commission Act 2012 (the ACNC Act), we must comply with Australian laws (*Governance Standard 3 under the ACNC Act*). As a public corporation limited by guarantee we are regulated by the Corporations Act, but as modified by the ACNC Act. We recognise the ACNC Act as the main law applicable to us in relation to corporate governance. We also hold tax endorsements and concessions and are therefore also subject to the Income Tax Assessment Act.

We are also a signatory to the Code of Conduct of the Australia Council for International Development (ACFID). The ACFID Code defines minimum standards of governance, management and accountability for non-government organisations and aims to improve international development

outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. In addition, our Board has adopted the Australian Institute of Company Directors' "Good Governance Principles and Guidance for Not for Profit Organisations" (AICD NFP Principles). We have voluntarily adopted the Australian Securities Exchange's Corporate Governance Principles and Recommendations (ASX Principles) and apply them, insofar as it is sensible and realistic to do so even though we are not a listed entity, taking into account our position as a large, not-for-profit organisation and with due regard to the scope of our operations and level of donor and public interest. The AICD NFP Principles and the ASX Principles are not incompatible.

As a member of the World Vision International Partnership we reflect our involvement in the WV global movement at Board governance through making a position on our Board available for an appointee of the President of the World Vision International. This "Partnership director" can be an executive or non-executive and is not required to be a member of our Board committees; his/her primary purpose is to ensure good communication and alignment between ourselves and the World Vision International Partnership. As a member of the World Vision International Partnership, we are also subject to policies of the Partnership, insofar as they are appropriate under Australian laws. In relation to corporate governance specifically, the Partnership's Corporate Governance Guidelines apply. These guidelines are, by their nature, more specific to entities within the Partnership (such as ourselves) and how they relate to each other and work towards a shared Vision and Mission.

The statements below details how we respond to the requirements and principles under relevant laws, industry codes and our own policies as they relate to corporate governance.

I. LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Our Board's role

Our Board's primary role is to direct our activities towards living out our Vision and achieving our Mission and goals.

Our Board's legal responsibilities together with its other specific responsibilities include:

- setting the strategic direction for us, assessing progress towards strategic objectives and approving policies to work towards those objectives;
- appointing and evaluating the performance of our CEO and determining remuneration and conditions of service;
- approving the appointment and remuneration of executives who report directly to our CEO;
- approving and monitoring the annual budget;
- considering and approving strategies and policies to ensure appropriate risk management; monitoring and receiving advice on areas of operational business opportunities and financial risk; ensuring compliance with laws and policies;
- appointing Board Committees to assist in effective governance.

CEO and delegation to leadership

Our CEO is responsible for the achievement of organisational and operational plans (as approved by our Board) and the organisational implementation of our Board's and organisational policies. Our Board regularly reviews and ensures that all necessary and appropriate delegations are in place to enable the CEO and World Vision Australia leadership to meet this responsibility.

With the approval of our Board, our CEO has appointed a senior leadership team to be responsible for various divisions of the organisation. This leadership team meets on a regular basis.

2. STRUCTURING THE BOARD TO ADD VALUE

Board composition

Our Board of Directors is comprised of individuals who have a broad range of skills and who individually and collectively exercise their judgment to ensure optimum results for the organisation. We acknowledge that our directors are “responsible entities” under the ACNC Act and that they must not be persons disqualified from managing a corporation or disqualified by the ACNC from being a responsible entity (*Governance Standard 4 under the ACNC Act*).

All our directors (other than the CEO and Partnership director) are independent non-executive directors.

On a regular basis, the People Culture and Governance Committee conducts reviews of the combined Board skills and attributes after considering the challenges we face and any impending retirements of directors. Our Board seeks out, liaises with and assesses the suitability of prospective directors for consideration by our Board as a whole.

Newly appointed directors are given a thorough induction to assist them to become quickly effective in their role. It is an expectation that all our directors have undertaken or will undertake the Company Director's course offered by the Australian Institute of Company Directors and that each director visits one or more of our projects in each 3 year term that they serve on our Board.

Directors are initially appointed for a term of three years with the possibility of two additional terms. Under limited circumstances, including service on the board of World Vision International, a director may be appointed for an additional term. Prior to re-appointment for each further term, directors undergo a peer review interview which is led principally with two fellow directors who seek feedback from all other directors. This interview is designed to review and assess not only the individual's performance as a director but also matter such as his/her continued commitment to our Vision and Mission and our Core Values.

The Board and Committee Chairs are elected for a fixed term usually of three years.

Board Chair

Our Board Chair has the primary responsibility of ensuring the integrity of Board processes. The Chair maintains the relationship between directors on our Board and our CEO and leadership to ensure productive and effective cooperation.

Board meetings and Board committees

Our Board meets at a frequency that allows it to discharge its duties. This is generally five times each year but additional meetings are scheduled as required. Workshops or forums are held periodically to provide opportunities for further Board engagement in strategic and other important issues. Opportunities are created for Board members to receive and discuss, on both formal and informal bases, information about the organisation's activities. The Board conducts an annual retreat during which more involved matters (generally relating to strategy) are discussed in detail and in a more involved manner than possible in a regular Board meeting.

It is an expectation that our directors attend and participate fully in our Board's meetings. Our CEO and leadership team also participate in our Board's meetings. Agenda setting is a collaborative process coordinated by our Company Secretary, guided by a formal calendar of activities, with input from our Board Chair, Committee Chairs, our CEO and leadership team, with final approval by our Board Chair.

Each of our directors except the Partnership director is required to be a member of one of our Board committees. Our Board does not delegate major decisions to its committees but charges them with the responsibility to consider detailed issues and to make appropriate recommendations to the Board.

People Culture and Governance Committee

This Committee comprises a select number of our directors and the Board Chair. This Committee assists our Board to effectively discharge its responsibilities by providing recommendations and advice in relation to:

- Board selection and appointment including the size and composition of the Board and the processes and procedures for the selection, recruitment and appointment of new Board members.
- Board training and development including induction procedures for new Board members.
- Board performance and evaluation procedures which apply to the Board, the Committees, the Board and Committee Chairs and individual Board members.
- The CEO and leadership team including the selection, recruitment, appointment, remuneration and evaluation of the CEO and on the recommendation of the CEO, the leadership team.
- Staff, employment and the workplace including key human resource and workplace matters.
- Corporate Governance including the WVA corporate governance framework, principles and documents, WVA Board policies and the WVI governance framework and policies.

Audit and Risk Committee

Details of the role and membership of our Audit and Risk Committee are set out below under “4. Safeguarding Integrity in Financial Reporting” and “6. Recognising and Managing Risk”.

Other committees

Our Board may establish ad hoc committees and working groups for the purpose of considering and advising on specific, generally short-term matters. We have had ad hoc working groups in relation to strategy development and organizational structure. These report to the Board during the course of normal Board meetings.

Conflicts of interest

Our Board has adopted a comprehensive Conflict of Interest Policy designed to ensure that any potential conflicts are disclosed, considered and handled appropriately.

Our Company Secretary maintains a register of interests and this is disclosed at every meeting of our Board, with updates being made as and when new or changed interests are advised.

Independent advice

Any of our directors may seek such independent legal, financial or other advice as he/she considers necessary, at our expense, provided the advice sought is in writing and is directly relevant to our affairs.

3. PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

Conduct and ethics

Our Board expects the organisation as a whole (every director and all employees) to conduct themselves with the highest ethical standards. We have a Code of Conduct which outlines our expectations and enables all to share a common understanding regarding how to conduct themselves in a manner that upholds and maintains our Core Values. Understanding our Code of Conduct and Core Values is an integral part of induction programs for directors and employees.

We have a Protected Disclosure Policy designed to reinforce a culture in which honesty, integrity and business ethics are part of our everyday behaviour. The policy applies to, and the mechanism it establishes, allows any of our directors, employees, volunteers, contractors and the general public to report improper conduct including matters pertaining to governance (*Governance Standard 2 under the ACNC Act*). We are committed to protecting and respecting the rights of any person who reports improper conduct in good faith and will not take or tolerate any retaliatory action or threats of retaliatory action against such a person.

Responsible decision making

With our Core Values and Code of Conduct as the abiding framework, we aim to place decision making authority and the related accountability as close to those affected by the decision as possible. Decisions on matters involving highest risk and broadest scope are made by our Board or our

CEO following the appropriate consultative and informative process.

4. SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

This Committee assists our Board to meet its responsibilities for the integrity of our financial reporting, compliance with external regulatory requirements and internal standards, the effectiveness of the internal control and risk management framework and the effectiveness of internal and external audit functions. To this end this Committee provides recommendations and advice in relation to:

- Statutory financial reporting and the oversight and integrity of the financial reporting process including review of financial statements and any accounting or reporting matters affecting them including accounting and audit standards;
- External audit and the oversight of the external audit function, including the appointment and performance of our external auditor, review and approval of the annual external audit plan, review of key audit findings and recommendations and compliance with audit independence requirements (see below);
- Internal audit and the oversight of the internal audit function, including the appointment and performance of our internal auditor, review and approval of the annual internal audit plan, review of key audit findings and recommendations, review of the Internal Audit charter and compliance with audit independence requirements;
- Risk management and internal control systems and in particular WVA's enterprise risk management framework including monitoring their adequacy and effectiveness, identification and management of key risks, review of risk related WVA Policies and oversight and promotion of a risk based culture;
- Compliance including monitoring the adequacy and effectiveness of WVA's system for compliance with laws, contractual obligations and WVA and WVI partnership policies;
- Internal financial reporting and budgeting; and
- Other matters of a financial nature or with a financial focus including matters which impact future organisational performance and sustainability and submissions that require Board approval.

The Committee comprises a select number of our directors and the Board Chair, amongst them are those with the requisite formal qualifications and experience to assist the Committee to discharge the technical aspects of its responsibilities.

5. MAKE TIMELY AND BALANCED DISCLOSURE

We see transparent disclosure as inextricably linked with accountability to all our stakeholders.

Internally, for our Board of directors, our Company Secretary has a critical role to play in working with our Board Chair, our CEO and leadership team in setting the agenda for our Board and Board committee meetings and in providing information on important issues to our directors in a timely and appropriate manner (*Governance Standard 2 under the ACNC Act*).

Externally, we pay particular attention to reporting on how we are progressing towards delivering on our commitments and how we use the resources entrusted to us. We understand that as a registered entity with the ACNC, we must be able to demonstrate, by reference our governing rules or by other means, our purposes and our character as a not-for-profit entity, make information about our purposes available to the public and comply with our purposes and our character as a not-for-profit entity (*Governance Standard 1 under the ACNC Act*). We understand that compliance with this requires ongoing operational vigilance and publication of our purposes in our communications to the public. We are committed to continually improving the mechanisms by which we gather information and report them to our stakeholders.

We prepare and make available a variety of reports, each aimed at providing the information necessary to improve accountability and transparency to all our stakeholders. Our corporate Annual Report (together its companion reports) is prepared on the basis that it must respond to specific legal requirements and the requirements of the ACFID Code of Conduct.

6. RECOGNISING AND MANAGING RISK

We are committed to an organisational culture that enables us to achieve our strategic objectives through appropriate management of risk. Our Board approved Risk Management Policy and Guidelines, together with sound risk management practices, help us take advantage of opportunities while also mitigating threats to our objectives and operations. The process used by us to identify, analyse, prioritise and treat risk is consistent with the AS/NZSISO 3100:2009 Risk Management Standard.

We also understand that commitment from all levels of the organisation is required to demonstrate behaviours which are consistent with a risk-conscious culture. All staff have a role to play, and are made aware of that role, in achieving our strategic objectives.

Our Board is responsible for considering and approving strategies and policies to ensure appropriate risk management, and monitors compliance of the Risk Management Policy and Guidelines. Our Board has delegated its oversight of the Risk Management Policy to its Audit and Risk Committee including review of the effectiveness of our internal control framework and risk management processes.

Our leadership are responsible for designing, implementing, reviewing and providing assurance as to effectiveness of the policy. Risk assessments are conducted and risks across the organisation are identified for analysis, treatment and/or monitoring. These risks are rated and assigned to members of the senior leadership team as the risk owners¹ who are responsible for management of each risk. We expect the risk owner to adopt and approve the risk treatment plan for the risk. Risk treatment plans include measures such as periodic audits and internal reviews of processes and policies.

We focus on enterprise/organisation-wide risk to inform our internal audit plan. Internal Audits are completed on areas identified and assessed as highest risk. These include financial controls (including treasury, payroll, procurement and payments), safeguarding (child protection), donor promise and compliance with regulations. While the financial control/financial assurance aspect of internal audit and other areas mentioned retains its importance, the audit plan is balanced to

ensure coverage of broader risks in the organisation such as marketing initiatives and programming controls. It also recognises that there are some business cycles that need regular monitoring such as occupational health and safety.

In addition to the internal audit program, ongoing risk management is applied to new and existing business processes. In particular, as required by ACFID, we undertake an annual self-assessment of our compliance with the ACFID Code of Conduct.

7. REMUNERATING FAIRLY AND RESPONSIBLY

Our Entitlements Policy strives to maintain an appropriate balance between the need to recruit and retain appropriately motivated, skilled and experienced staff to carry out our strategic objectives with the organisation's Christian Mission, not-for-profit status and reliance on donated funds. Generally, we position salary packages at the 25th percentile of the general industry rate. For Leadership Team reporting directly to the CEO, salaries are positioned at the 10th percentile. We use the Korn Ferry Hay Group and Mercer as our sources of general market information and to establish benchmark rates.

No fees are paid for serving as a director on our Board. We cover reasonable expenses incurred by our directors in the course of their role. These include travel and accommodation expenses required to attend Board meetings and some training and development costs. Every effort is made to keep all costs within very modest budgets.