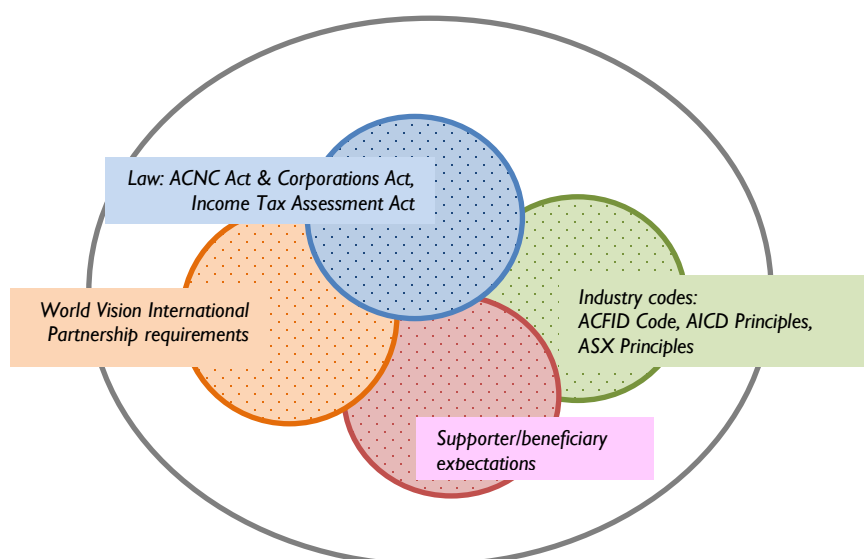


Corporate Governance

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 recognize 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.

As a signatory to the Code of Conduct of the Australia Council for International Development (ACFID), we are also subject to this code. 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 September 2013, our Board adopted the Australian Institute of Company Directors’ “Good Governance Principles and Guidance for Not for Profit

Organisations” (AICD NFP Principles). Since 2008, we have voluntarily adopted the Australian Securities Exchange’s Corporate Governance Principles and Recommendations (ASX Principles) and applied 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 and both apply to us.

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 his 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 management

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 management 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 and has sub-delegated various authorities accordingly. As well as acting individually within their respective authorities, our senior leaders also act collectively to advise our CEO on matters where a collective process would improve results and decision making. To this end our senior leaders and CEO meet on a regular basis, with additional operational and retreat-style meetings scheduled periodically.

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 Partnership director) are independent non-executive directors.

On a regular basis, the People Culture & Remuneration 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 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. In 2013, all our directors were briefed about their duties as our “responsible entities” under the ACNC Act (*Governance Standard 5 under the ACNC Act*).

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 or three 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 Chair and Deputy Chair of the Board are elected annually. Our Constitution does not permit any of our employees, including our CEO, to be a director on our Board.

Board Chair

The Chairman of our Board has the primary responsibility of ensuring the integrity of Board processes. The Chairman maintains the relationship between directors on our Board and our

CEO and management 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 and that the Partnership director attends meetings as appropriate. Our CEO and senior leaders 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 senior leaders, with final approval by our Board Chair.

Each of our directors except the Partnership director is 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 & Remuneration Committee

This Committee comprises a select number of our directors and the Chairman of our Board. This Committee assists our Board to effectively discharge the following responsibilities:

- elect, remove and set terms of appointment (including remuneration) of our CEO and senior leaders and evaluate the performance of our CEO; and
- review and monitor the human resource policies and their application in furtherance of our Board's responsibility to assess continually the extent to which we meet our objectives, purposes and standards and to make policy which will assist in those areas, adopt an effective governance structure and foster an appropriate corporate culture.

Audit Committee

Details of the role and membership of our Audit 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 Whistleblower 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 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:

- oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information;
- reviews the adequacy and disclosure of financial statements, and reviews budgets;
- reviews the effectiveness of internal control and risk management systems and approves the annual schedule of proposed internal audit activities;
- approves audit reports and risk management issues and reviews financial and operational risk assessments;
- oversees the external audit function, including recommending the appointment of, liaising with and assessing the performance of our external auditor (see below);
- monitors management responses to audit issues;
- provides advice on financial and other issues; and
- considers matters raised by management, initiating enquiries in the areas of ethics, due diligence, investigations, insurance, legal issues and statutory requirements.

This Committee must satisfy itself and our Board as to the independence of our external auditor. This includes monitoring the ongoing relationships which former partners and employees of our external auditor may have with us, and the services they supply to us, and monitoring the employment of such persons into senior management positions and their appointment as directors on our Board.

The Committee comprises a select number of our directors and the Chairman of our Board, 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 the Chairman of our Board, our CEO and senior leaders in setting the agenda for our Board's and Board Committees' 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 and also with reference to the Global Reporting Initiative's Sustainability Reporting Guidelines and NGO Sector Supplement. We submit these reports to the PricewaterhouseCoopers Transparency Awards which were introduced to Australia in 2007 (and run by PricewaterhouseCoopers in collaboration with the Institute of Chartered Accountants Australia and the Centre for Social Impact) to recognise the quality and transparency of reporting in the not-for-profit sector and which are benchmarked to the GRI Guidelines. We always disclose how and the extent to which we meet the requirements of these Guidelines. The review of our reports by the independent panel for the Award has been critically important in shaping and guiding the evolution of our reporting over the last few years. Key employees involved in the preparation of these reports have attended the "Transparent Reporting for Not-for-Profits" executive course offered by the Centre for Social Impact.

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 Committee including review of the effectiveness of our internal control framework and risk management processes.

Our management is 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 owners⁸ 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), 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 & safety.

In addition to the internal audit program, ongoing risk management is applied to new and existing business processes. Management is also required to annually self-assess its compliance with World Vision Australia policies and procedures and we also undertake an annual self-assessment of our compliance with the ACFID Code of Conduct.

7. REMUNERATING FAIRLY AND RESPONSIBLY

Our Remuneration 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 senior leaders reporting directly to the CEO, salaries are positioned at the 10th percentile. We use the Hay Group as its source 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.