

# CORPORATE GOVERNANCE STATEMENT 2023

# INTRODUCTION

CPA Australia Ltd (CPA Australia) is committed to best practice in corporate governance and to promoting excellence, enterprise and integrity amongst our members and the accounting, financial, and business advisory professions generally who enhance and support their communities. This commitment is reflected in our adoption of the 4<sup>th</sup> edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (CGPR) released in February 2019. CPA Australia is an unlisted public company limited by guarantee (CPA Australia) and is not formally required to report against the CGPR. We choose to do so as a benchmark to best practice and have implemented these Principles as far as they are relevant to us as a membership-based organisation.

CPA Australia seeks to send a strong message to our members, their clients, the professional and business community, and the public, that it is committed to upholding high standards for the benefit of the accounting, financial, and business advisory professions generally and in the public interest.

Our Corporate Governance Statement (Statement) describes our governance structure that underpins the framework against which our Strategy and business objectives are set, our operations are monitored and the risks we face are managed. We have a clear framework for our decision-making, accountability, our culture and the standards of behaviour we uphold and expect of each other.

Within the framework of systems, policies and processes we have described in this Statement, CPA Australia will continue to strive for the highest standards in delivering value for our members and all the stakeholders in the CPA Australia community.

In preparing this Statement we set out how we keep pace with current and emerging corporate governance developments of relevance to our organisation, market practice, regulatory changes as appropriate and the expectations of our members. We seek to be transparent and strive for overall continuous improvement each year.

This document represents the Corporate Governance Statement as at 31 December 2023 (Statement).

# PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

## **Board of Directors**

The Board of Directors (Board) is the governing body of CPA Australia. The Board independently and objectively assesses the organisation's decisions and oversees the performance and activities of management against a risk management framework. This creates a disciplined process for effectively managing risk to enable the achievement of CPA Australia's strategic objectives. More information on risk management and CPA Australia's approach to it is set out under Principle 7 in this Statement.

The Board is responsible for a number of decisions including:

- setting, approving and overseeing implementation of CPA Australia's strategy, direction and financial objectives;
- appointing the President and Deputy Presidents;
- approving financial statements;
- appointing the Chief Executive Officer (CEO) and evaluating the CEO's performance; and
- making and amending By-Laws.

## **Appointment of Directors**

CPA Australia's governance structure is set out on page 25 of the [CPA Australia Integrated Report 2023](#). The Board is appointed by the Appointments Council which is comprised of one Divisional Councillor from each of the 13 Divisional Councils. The selection process has due regard to:

- the required skills, knowledge, experience and other capabilities required of the Board;
- diversity and the mix of skills;
- competencies;
- ability to deal with new and emerging business and governance issues; and
- attributes recommended by the Board (having regard to succession planning and values alignment).

Details of the Appointments Council are set out at Principle 2 in this Statement.

The Nomination Committee assists the Board and the Appointments Council in the effective discharge of their respective responsibilities so that the Board and its Committees comprise individuals who are best able to discharge their responsibilities as Directors and Committee members having regard to the law, the highest standards of governance and the diversity of the membership.

Details of the Nomination Committee are set out at Principle 2 in this Statement.

As part of the due diligence process, all Directors undergo Australia, New Zealand and country of origin police checks before their appointment.

All Directors are appointed subject to the provisions of the Constitution of CPA Australia ([Constitution](#)) and the provisions of the *Corporations Act 2001 (Cth)*. All Directors are formally appointed to office by CPA Australia by way of a formal letter of appointment.

The Board and each Board Committee reviews its respective performance regularly throughout the year. A peer and self-assessment review is undertaken annually by all Directors and Board Committee members. Every third year there is an independent review of the Board.

## **The Board's Oversight**

The Board is responsible for the overall governance of CPA Australia. The Board has adopted a formal Charter setting out its functions and responsibilities, which it reviews annually. Matters specifically reserved to the Board and not delegated to a Board Committee are set out in its Charter. The Board approves its Charter which is available on the [website](#).

The Board has delegated a range of its powers, duties and responsibilities to its Committees, management, Divisions and Disciplinary Tribunals. The Board reviews each delegation at least annually.

Each Board meeting agenda includes the business of the meeting and:

- statutory matters;
- governance including strategic matters;
- reports focussing on member matters (including communications to members) in alignment with CPA Australia's strategy;
- management reports, which include reports on strategic risks, strategic projects, operational items (including employee matters) and regular reports from the CEO and the Chief Financial Officer (CFO); and
- a forward rolling agenda to assist with the structure, business and balance of future meeting agendas.

Throughout 2023, the Board and its Committees considered a wide range of matters relevant to the delivery of member value and other operating considerations across all areas of the organisation to ensure the sustainability of its members, the profession and the organisation. These matters included:

- oversight of financial performance of the organisation to support long-term sustainability;
- review and sign-off of CPA Australia's 2022 Integrated Report and financial statements;
- approval of contracts with external partners and suppliers;
- the review, development and publication of CPA Australia's most recent Modern Slavery Statement;
- the review of CPA Australia's Human Rights Policy 2023;
- oversight of the new operating model, designed to separate strategy, design and improvement of the member journey from the delivery of services;
- long-term strategic planning including oversight of the education, IT and brand strategies;
- policy input to government, regulators and industry standard-setters;
- the future of work, including digitisation of the profession, technological developments and cyber security;
- input into the implementation of the organisational strategy;
- alongside the Appointments Council and Nomination Committee, ensured there was the right skills mix on the Board;
- monitoring climate change risk and approving CPA Australia's environmental, social and governance (ESG) steering committee charter and reporting approach;

- the ongoing incorporation of ESG considerations into all CPA Australia's activities in order to meet the present and future needs of our members, employees and other stakeholders to support long-term ESG performance;
- oversight and approval of major programs including MMF program, CPA Australia's key strategic initiative for 2023 which went live for members on 24 July;
- officially opening a new office in Abu Dhabi in the United Arab Emirates;
- engagement with Divisional Councils who are elected by members in their division that play an important role in providing support to members, promoting member engagement and maintaining the integrity of the designation;
- oversight of CPD requirements regarding ethics;
- approval of nominations and appointments to the International Federation of Accountants, international and national standard-setting boards, Centres of Excellence, and Advisory and Compliance Committees;
- ongoing member outreach including attending webinars, conferences and divisional events throughout the year; and
- oversight of CPA Australia's values - "The CPA Australia Way".

During 2023, the Board continued to focus on the wellbeing of CPA Australia's people to enable us to respond to the ongoing challenges and changing nature of hybrid ways of working.

The Board has in-camera sessions at each Board meeting where the Board meets without the CEO and management being present. These sessions allow Directors to raise or explore any issues of concern prior to the CEO and management joining the Board meeting.

## **Strategy**

In 2023, the Board continued to oversee and monitor management's implementation of the CPA Australia Strategy, its risk and compliance framework, policy initiatives and operations.

The Board approves annual Key Performance Indicators (KPIs) drawn from and assessed against the Strategy with priorities, direction and performance targets for CPA Australia within the parameters of the Strategy. Monthly performance reports are prepared by management for ongoing monitoring by the Board.

The Council of Presidents (comprising the Presidents of each of the 13 Divisional Councils) has the responsibility to facilitate two-way engagement between the Board and Divisional Councils. The Council of Presidents has a formal Charter approved by the Board which is available on the [website](#).

## **CEO**

The CEO is appointed by the Board and is responsible for the management of CPA Australia in accordance with the Board-approved Strategy, policies and delegated authority framework. The CEO is responsible for the Board being provided with relevant strategic options, policies and financial issues on which to deliberate, and with the necessary administrative support to enable the Board to work effectively.

The Board may invite the [CEO and management](#) to attend Board or Committee meetings at its discretion. The CEO is not a Director and is not entitled to vote.

The CEO, CFO, Company Secretary and members of the Executive Leadership Team each enter into a formal written agreement with CPA Australia which sets out their terms of appointment and job descriptions.

In 2023, the Board appointed a new CEO to commence in Q1, 2024.

## **The Company Secretary**

All Directors have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the CFO and is accountable to the Board, through the Chair, on governance matters.

In 2023, the Board appointed a new Company Secretary who commenced his role on 1 January 2023.

## **Performance Management**

Each member of the Executive Leadership Team has a formal, written agreement with CPA Australia that sets out the terms of their appointment.

The Executive Leadership Team is responsible for supporting the implementation of the Strategy and reinforcing the organisation's values, [The CPA Australia Way](#).

All employees and management, including the Executive Leadership Team of CPA Australia, are subject to annual performance reviews and continual professional development. They are assessed against achievement of their job specifications and key performance goals, contribution towards specific business and strategic objectives, including enhancing member satisfaction through focused activities aligned to the Strategy, and adherence to CPA Australia's values and culture.

The Board has ultimate approval of remuneration changes that have been prepared by management and benchmarked by external consultants. The Board approves the remuneration of the CEO, the CEO's direct reports and the remuneration framework for employees.

Along with the organisation's people, the CEO and the Executive Leadership Team have an at-risk component of their remuneration that is tied to both their own performance and that of the organisation.

## **Wellbeing, Inclusion and Diversity**

At CPA Australia we are actively committed to diversity, equality and inclusion for employees, members, and the community. In 2023, we continued to focus on individual wellbeing and embrace flexible ways of working for our people globally.

CPA Australia's [Inclusion and Diversity Policy](#) applies to:

- CPA Australia's Board;
- membership committees appointed by either the Board or management;
- CPA Australia's workplace participants; and
- persons seeking employment with the organisation.

CPA Australia values a workforce that reflects the diversity of its membership and the general population. Different perspectives, views and ideas add strength to its ability to deliver value to members. In 2023, through its wellbeing initiatives and events, CPA Australia participated in activities to raise awareness for important causes including Men's Health Week, Cerebral Palsy Alliance through STEPtember, RUOK? Day and Mental Health month, and the Hong Kong Cancer Fund through our participation in the CPA Australia Charity Run in Hong Kong.

The organisation delivered actions aligned to the Wellbeing, Inclusion and Diversity strategic framework, which were developed to build a culture of belonging.

The framework has four key areas:

- fostering wellbeing, through supporting our peoples' health and wellbeing, promoting greater engagement, inclusion, and the ability for our people to thrive;
- leading with inclusion, through creating a people-centred culture where people feel safe, respected, included, and valued. A positive and productive workplace where people feel they belong and are supported to succeed in their work and life goals;
- empowering a diverse workforce, by leveraging our vast range of identities, experiences, knowledge, and perspectives, to deliver innovative outcomes and quality experiences for our members, the profession, and our people; and
- community and advocacy, leading the profession in equity, and partnering with members to enhance the profession and our communities.

CPA Australia continues to support these key areas:

- through our employee networks' engagement with members and the community;
- focusing on the wellbeing of our people by ensuring equitable access to care and support; and
- celebrating and recognising days of significance with our people.

Highlights for 2023 included:

- the implementation of a total wellbeing platform that is accessible by all employees and their families;
- the increase of Mental Health First Aiders to support people to feel safe and well;
- the delivery of initiatives aligned to our Innovate Reconciliation Action Plan (RAP), endorsed by Reconciliation Australia;
- successful completion of the 2023 Workplace Gender Equality Act external annual compliance report;
- recognising events of cultural significance including Lunar New Year, Ramadan, Eid and Diwali across many of our global locations; and
- delivery of diversity, equity and inclusion (DEI) topics to employees and members through participation in awareness and education events.

## **Reconciliation**

The [CPA Australia Innovate Reconciliation Action Plan](#) (RAP) reflects the organisation's ongoing commitment to social responsibility and reconciliation between Australia's First Peoples and the broader Australian community.

The Innovate RAP focuses on developing and strengthening relationships with Aboriginal and Torres Strait Islander peoples, engaging employees and stakeholders in reconciliation, and developing and piloting innovative strategies to empower Aboriginal and Torres Strait Islander peoples.

Key actions in 2023 included:

- continued engagement with our Indigenous Advisory Group, made up of First Nations members, ensuring the voice of our Indigenous members is front and centre, to support the organisation's reconciliation journey;
- working with the Australia Scholarship Foundation to offer Indigenous Scholarships for the CPA Program;

- continued partnership with Charles Darwin University for an accounting and finance pre-enablement program and the University of Tasmania to develop a mentoring program aimed at providing First Nations students with support to transition from study into the accounting profession;
- the introduction of Acknowledgement of Country on the CPA Australia website and each addition of INTHEBLACK;
- delivery of tailored cultural awareness and sensitivity education for our Executive Leadership Team and all People Leaders; and
- delivery of a joint employee and member awareness event celebrating Reconciliation Week.

In 2024, we will develop our next Reconciliation Action Plan and continue to engage with members and their communities to investigate and develop programs that support and promote reconciliation.

To learn more about CPA Australia's RAP and progress please visit the [website](#) or see page 66 of [CPA Australia's Integrated Report 2023](#).



# PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

The Constitution of CPA Australia provides that the Board consists of a maximum of 10 independent non-executive Directors (as defined by the CGPR) and must have at least two external Directors (who are neither members nor employees). The President and Deputy Presidents of CPA Australia must be members. A diagram of the governance structure in place at year end is available on page 25 of the [CPA Australia Integrated Report 2023](#).

Generally, Directors are appointed for a term of three years and are eligible to serve for up to two further terms of three years each. Directors are ineligible to serve more than three consecutive terms. In 2023, the By-Laws provided that Directors would only be appointed for a third term where they have performed strongly, with weight given to:

- the overall composition of the Board with emphasis on balancing the need for continuity with the need for continual refreshment of talent and thinking; and
- the current skills matrix, any skills gaps and the assessment of candidates against the selection criteria requirements for the Board.

The Board annually assesses the independence of each Director. Directors make a declaration of independence each year and must disclose to CPA Australia any matter which may affect their independence as soon as they become aware of it. The Director membership of the Board is set out on page 89 of the [CPA Australia Integrated Report 2023](#). All Board members are requested to disclose related-party transactions on an ongoing basis. Related-party transactions for each Director (if any) are disclosed in the notes to the financial statements in the [CPA Australia Integrated Report 2023](#).

As set out in Principle 1, Directors are appointed by the Appointments Council. The skills mix of the Board and its Committees is outlined on page 27 of the [CPA Australia Integrated Report 2023](#). Further information on Directors' skills, expertise and their terms of office, is set out on pages 27 and 89 to 101 of the [CPA Australia Integrated Report 2023](#).

The Board has a number of Committees as set out below under this Principle 2, including the Nomination Committee and the Member Engagement and Culture Committee.

## **Appointments Council**

The Appointments Council's role is to elect the Board. It does this by applying the election procedure set out in the By-Laws and is assisted in its role by the Nomination Committee. The Appointments Council comprises a representative from each of the 13 Divisional Councils and is chaired by the President of the Board but if the President is standing for re-election, then by a Deputy President who is not standing for re-election). The Appointments Council works with the Board and the Nomination Committee to determine the mix of skills required on the Board and identifies candidates of suitable professional standing. When casting their votes for candidates, Appointments Councillors consider the current skills matrix, performance assessment criteria and continuing professional development requirements for the Board. The Appointments Council Chair does not have voting rights. The Charter of the Appointments Council approved by the Board is available on the [website](#).

## **Nomination Committee**

The Nomination Committee assists the Board in determining the skills required on the Board and the criteria for appointment to the Board. The skills and experience mix of the Board as of 31 December 2023 is at pages 27 and 89 to 94 of the [CPA Australia Integrated Report 2023](#). The Nomination Committee assists the Appointments Council in selecting appropriate candidates for appointment to the Board by reviewing candidates and making recommendations to the Appointments Council. The Appointments Council must have due regard to, but is not bound by, the recommendations of the Nomination Committee.

The Nomination Committee considers diversity when making its recommendations to the Appointments Council. For further information relating to diversity, refer to the Wellness, Inclusion and Diversity section earlier in this Statement under Principle 1.

The Nomination Committee also advises the Board and the Appointments Council on succession plans for the Board. The Nomination Committee is comprised of two members of the Board, two members of the Appointments Council and two independent non-Director appointees.

The Charter of the Nomination Committee is approved by the Board and is available on the [website](#).

The composition of the Nomination Committee and meeting attendance are set out in the Directors' report on pages 96 and 101 of the [CPA Australia Integrated Report 2023](#).

## **Director Induction and Education**

New Directors receive information outlining their duties and responsibilities and undertake formal induction with the Chair of the Board, other Directors, the CEO and the Executive Leadership Team. All Directors participate in the annual management/employee compliance training program to support a high-level understanding of CPA Australia's key legal and compliance obligations. Directors also regularly receive current knowledge updates including from external providers.

## **Access to Information**

The Executive Leadership Team provide the Board with information to allow it to make decisions on an informed basis. They attend meetings at the request of the Chair.

Directors are entitled to obtain reimbursement of the reasonable costs of any independent advice obtained in respect of their office. If a Director wishes to obtain independent external advice, they must notify the Board before seeking that advice and obtain the prior approval of the Chair, whose approval shall not be unreasonably withheld.

## **Board and Board Committees**

The respective composition and meeting attendance details of the Board and Board Committees are set out in the Directors' Report on pages 100 and 101 of the [CPA Australia Integrated Report 2023](#). Minutes of Committee meetings are provided to the Board at its next meeting.

The Board had four Board Committees in 2023:

- Nomination;
- Audit, Risk and Compliance;
- Member Engagement and Culture; and
- Education, Policy and Innovation.

Each Board Committee has a Charter (approved by the Board) outlining its role and composition. The Charters are reviewed annually so that the role and responsibilities of each Committee are consistent with CPA Australia's strategic goals and objectives and remain fit for purpose in helping the organisation to achieve the following strategic goals:

1. Build members' interdisciplinary and contemporary skills to accelerate their career success.
2. Lead, support and advocate for members as the profession evolves.
3. Connect with our ecosystem of members and strategic partners to promote the designation.
4. Attract new members through unrivalled offering

The Charters of the Committees (as appropriate) also importantly reflect the Board's commitment to ESG and sustainability principles - having regard to both the UN 2030 Agenda for Sustainable Development and the UN Global Compact Principles - in the organisation's aspirations for its operations and policies to suitably respond over time to global efforts towards meeting environmental and social challenges.

Information on the governance supporting our ESG strategy is available on page 60 of [CPA Australia Integrated Report 2023](#).

# PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

CPA Australia is one of the world's largest accounting bodies with a global membership of more than 173,000 members (as of 31 December 2023) in more than 100 countries and regions around the world.

CPA Australia's objective is to promote integrity amongst our members and the accounting, financial, and business advisory professions generally who enhance their communities. CPA Australia is committed to maintaining an organisational culture where it acts lawfully, ethically and responsibly and does so within a framework which places a premium on agreed values and standards both internally and externally.

Directors, members, the CEO, the Executive Leadership Team and employees of CPA Australia are required to act lawfully, ethically and responsibly in accordance with the highest standards of honesty and integrity in such a way as to safeguard and protect the reputation of the organisation.

## **Codes of Conduct**

The Directors' Code of Conduct, the Board Committee Members' Code of Conduct (Non-Directors) and the Employee Code of Conduct, which amongst other things set out expected standards of behaviour, are approved by the Board, and are given to all new Directors, Board Committee members and employees respectively. The [APES 110 Code of Ethics for Professional Accountants](#) (including the Independence Standards) set by the Accounting Professional and Ethical Standards Board applies to CPA Australia members and is upheld by the organisation.

Members serving on Divisional Councils, the Appointments Council, the Council of Presidents, Advisory and Compliance Committees and Centres of Excellence are also expected to adhere to behavioural standards and cultural values in their engagement with each other and the organisation as reflected in the CPA Australia Volunteer Code of Conduct.

## **Organisational Values - The CPA Australia Way**

[The CPA Australia Way](#) is the name of our organisational values. These are:

- Create opportunity
- Pursue excellence
- Achieve together

The CPA Australia Way is the heartbeat of our organisation. It is our commitment to each other and a way of working and is the foundation of our success, experienced and lived by our people, and felt by members. We demonstrate our values through our behaviours, which in turn defines our organisational culture, so we can deliver on our strategy.

The Board and the Executive Leadership Team play a pivotal role in driving a positive organisational culture. They demonstrate this by their commitment to reflect the CPA Australia Way in their interactions and deliberations.

## People and Organisational Culture

The Member Engagement and Culture Committee of the Board in 2023 monitored the organisation's progress in how it engages with its members and the organisational culture CPA Australia creates for its people (including their remuneration). The Committee considered and approved culture against CPA Australia's strategies and objectives to reflect the values as set out in The CPA Australia Way and to ensure that we act lawfully, ethically and responsibly. The Committee also played an important role in assisting the Board to fulfil its commitment to Principle 3 of the CGPR and to its statutory, corporate governance and oversight responsibilities relating to the people, remuneration and culture of CPA Australia. From 1 January 2024, the people and culture component of the Member Engagement and Culture Committee's work will be overseen by the Board.

## Professional Standards in Ethics and Integrity

Acting ethically and with integrity are important values to build trust between the profession and the communities it serves. To ensure our members maintain the highest professional standards in ethics and integrity, from 1 October 2023 all members (except those exempted under the By-Laws) are required to complete 10 hours of ethics CPD per triennium, with a minimum requirement of two hours each year. This forms part of the existing CPD requirement of 120 hours per triennium. CPA Australia also offer complimentary ethics resources to help members meet the minimum requirements. In addition, a new micro-credential in Professional Ethics equating to five CPD hours was launched in October 2023.

## Key Policies

[CPA Australia's Whistleblower Policy](#) underlines the organisation's intolerance of any corrupt, illegal or other undesirable conduct by its personnel. This includes the victimisation of an individual who intends to report, or has reported, such conduct under protected disclosure in accordance with the Policy. The Policy sets out the framework for receiving, investigating and addressing allegations of Reportable Conduct where that Reportable Conduct concerns the activities of CPA Australia or current and former directors, officers, agents, employees and contractors. Allegations of Reportable Conduct can be made through YourCall, an external and independent whistleblowing service provider. The Audit, Risk and Compliance Committee oversee and monitor the whistleblowing policy.

Fraud or corruption is not tolerated in any jurisdiction. [CPA Australia's Fraud and Corruption Policy](#) reflects its commitment to maintaining a robust culture of integrity and ethical behaviour.

CPA Australia's third [Modern Slavery Statement](#) builds on the strong foundation laid down in its first Statement and sets out our ongoing efforts to prevent and address any involvement we may have in modern slavery.

Our approach to modern slavery is guided by three key principles:

- considering risk to individuals as being paramount to all other risks;
- actively seeking to identify the risk of modern slavery in our operations and supply chains even if we do not find instances of modern slavery; and
- recognising that assessing modern slavery risk and taking actions to address those risks is the right thing to do, and drives commercial and social value for CPA Australia, which results in value for members.

Since 2021 when we began implementing a three-year modern slavery roadmap to strengthen our modern slavery risk management, we have completed more than 55 specific actions as part of the roadmap. The key actions we took in 2023 to mitigate modern slavery risk include:

- maintaining our membership of the UN Global Compact Network Australia, which provides us with opportunities to engage with business peers across sectors;
- using modern slavery contract clauses to set clear expectations and requirements for our suppliers in relation to modern slavery risk management. Management further reviewed the modern slavery clauses in our master services agreement in the 2023 reporting period. The reviewed and amended clauses included the requirement for suppliers to implement regular audits, and an obligation for suppliers to conduct training of their personnel in relation to modern slavery legislation, and the prevention of modern slavery offences within their business, organisation and supply chain;
- continuing to build our understanding of our modern slavery risk profile (including supplier-specific risks) by engaging directly with different suppliers over the last two years;
- in the last reporting period, conducting a deep dive into assessing modern slavery risks relating to printing services and including a case study in the statement;
- hosting an intranet page for CPA Australia employees that brings together key policies, resources and other relevant information on modern slavery. These resources sit alongside our broader ESG-related content, that provides members with a broader understanding of Modern Slavery's impact and dependency on other topic areas, such as the transition to a lower carbon state;
- updating our members as to the publication of our Modern Slavery statement in our Integrated Report;
- continuing to publish INTHEBLACK content relevant to modern slavery, labour rights and broader human rights focusing on Australia's role in driving the ambition to address Modern Slavery risks and opportunities;
- delivering a podcast that explained the fast-evolving regulatory landscape, which includes Modern Slavery, to members; and
- continuing to engage our members through a suite of dedicated ESG micro-credentials including the launch of new modules.

CPA Australia's Modern Slavery Statements are available on the [website](#).

# PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

The Board has processes to verify the integrity of its corporate reports.

CPA Australia believes integrated reporting represents an important opportunity for CPA Australia's members to play a pivotal role in ensuring that integrated thinking on the capitals described under the Integrated Reporting Framework (financial, manufactured, intellectual, human, natural, social and relationship) feeds into the Strategy, business management and reporting. Since 2013, CPA Australia has produced an integrated report using the International Integrated Reporting Council Framework and containing the Company's financial and non-financial performance metrics.

CPA Australia's Integrated Report 2023 has been prepared in accordance with the fundamental concepts, guiding principles and content elements of the Integrated Reporting Framework and it has received Limited Assurance on this basis. Our materiality processes and approach have obtained reasonable assurance. The financial section at the end of the Report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001 (Cth)*.

## **Audit, Risk and Compliance Committee**

CPA Australia has an established Audit, Risk and Compliance Committee to verify and safeguard the integrity of the organisation's financial and non-financial reporting. The Audit Risk and Compliance Committee assists the Board in the areas of statutory reporting, internal control systems, risk management systems, insurance and legal proceedings, and the internal and external audit function. In 2023, the Committee consisted of up to five independent Directors with a mix of audit, risk, compliance, accounting and business expertise and knowledge to enable it to discharge its responsibilities effectively. In keeping with the ASX CGC Recommendation 4.1 under Principle 4, the Chair of the Board is not the Committee Chair as reflected in the Committee's [Charter](#) which is approved by the Board. The Audit, Risk and Compliance Committee's meetings and attendance are set out in page 100 of the [CPA Australia Integrated Report 2023](#).

## **Reporting**

Specifically, the Audit, Risk and Compliance Committee assists the Board to discharge its responsibilities for external reporting including assurance over the organisation's Integrated Report, external and internal audit and internal control and risk management. It does this by bringing an independent review process to oversee and make recommendations to the Board including in relation to external reporting.

The Committee's work on the verification of the integrity of CPA Australia's corporate reports may also include examining non-financial reporting on matters in important areas such as:

- maintenance of brand reputation;
- provision of a consistent and positive member experience;
- promotion of continuous improvement;
- managing the health and wellbeing of CPA Australia workplace participants;
- the availability of data and functional systems;
- minimising and guarding against privacy breaches; and

- the maintenance of appropriate corporate governance frameworks and minimising the risk of legal and regulatory action.

Non-financial reporting leads to:

- greater transparency;
- improved management decisions;
- improved stakeholder confidence;
- improved operations;
- early identification of some forms of risk; and
- increased credibility and trust within the community.

## **Receipt of Financial Statements**

Each year before Financial Statements are approved, management provides a representation letter to both the Board and KPMG, the external auditors, expressing an opinion as to whether, in accordance with the *Corporations Act 2001 (Cth)*:

- the financial records have been properly maintained;
- the Financial Statements (and notes) for the financial year comply with both Australian and International Accounting Standards;
- the Financial Statements give a true and fair view of CPA Australia's financial position and performance; and
- the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **External Auditors**

KPMG was appointed as CPA Australia's external auditors in 2018. The performance of the external auditors is reviewed annually by the Board with advice from the Audit, Risk and Compliance Committee.

An analysis of fees paid to the external auditors, including a breakdown of any non-audit fees paid or received by the auditors, is provided in the notes to the financial report on page 140 of the [CPA Australia Integrated Report 2023](#).

The Audit, Risk and Compliance Committee has developed principles for the supply of non-audit services. The external auditors provide an annual declaration of their independence to the Audit, Risk and Compliance Committee.

A representative from the external auditors attends the AGM and is available to answer audit-related questions.

The Audit, Risk and Compliance Committee undertakes a review of the terms of engagement of the external auditors and the rotation of external audit engagement partners, before deciding to re-appoint the existing audit firm or to seek tenders on the open market.

The external auditors also formally engage with the internal auditors during the external audit in accordance with their standard practice.

## **Internal Auditors**

The internal audit function is fully outsourced to RSM Australia, reporting directly to the Audit, Risk and Compliance Committee. RSM Australia attends all Audit, Risk and Compliance Committee meetings and



is directly available to advise all members of that Committee, independent of management. Audit plans are approved by the Audit, Risk and Compliance Committee.

The internal auditors also meet with the external auditors of the organisation, independent of management, to:

- share experiences in engaging with CPA Australia Management;
- understand the challenges/risk facing CPA Australia which have been observed throughout the engagement;
- understand the current areas of focus for the external and internal audit functions; and
- identify areas of potential cross over between internal and external audit engagements.

The scope of internal auditing includes the examination and evaluation of the adequacy and effectiveness of CPA Australia's governance, risk management and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. For more information please see page 28 of the [CPA Australia Integrated Report 2023](#).

# PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

CPA Australia is not a listed entity and does not issue shares. Accordingly, CPA Australia does not report on share-trading activity or policies. While the Recommendation relating to the ASX Principle does not apply to CPA Australia, the Board has committed to improved disclosure and communication to provide greater transparency to members. These assist members to continue to be engaged in their member organisation with respect to issues of relevance to the profession.

CPA Australia's financial activities are set out in its Integrated Report 2023. Executive and Director remuneration is also disclosed including key terms and conditions for the CEO. During the course of 2023, [Board Updates](#) kept members informed on the progress of projects and the continued delivery of services to members.

Some examples are:

- the delivery of the MMF project - one of CPA Australia's largest strategic initiatives undertaken - to create digital and organisational capabilities that enable the organisation to personalise members' experiences across all touchpoints;
- implementation of the Strategy;
- virtual CPA Congress 2023;
- the release of CPA Australia's 2022 Integrated Report (including the financial statements);
- holding the 2023 AGM;
- opening CPA Australia's new office in Abu Dhabi, United Arab Emirates;
- responses to important matters affecting the profession;
- ethical PD requirements and offerings introduced from 1 October;
- the appointment of the new CFO and the new CEO; and
- finalising the new CPA Australia operating model.

CPA Australia advocates for the interests of our profession, members and the public. Throughout the year we invite members to make comments on various submissions and policy positions to ensure that we are acting in true representation of our members' needs. We share our various submissions with our members through our website and in other communications including CPA Update, InPractice and Tax News as well as regular media coverage.

Our representation on external committees and consultation groups is disclosed by the relevant committee owner and in accordance with any confidentiality requirements.

In 2023, CPA Australia engaged with key decision makers and stakeholders on issues including:

- government budgets in Australia, New Zealand and several Asian jurisdictions;
- design and implementation of sustainability standards at the international and jurisdictional levels;
- regulation of the profession, including codes of conduct and ethics, and representation of the profession before Australian parliamentary committees;
- audit quality in Australia and ASIC compliance and enforcement approaches;
- changes to legislation affecting our members including tax practitioners, financial planners and auditors and their clients; and

- implementation of new programs such as Payday Super and administrative and operational issues related to financial, tax and superannuation systems.

More information and examples of activities, initiatives and services supporting members can be found in [CPA Australia's Integrated Report 2023](#).

The CPA Australia Integrated Report 2023 includes detailed financial and non-financial reporting.

# PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS (MEMBERS)

CPA Australia provides its members with timely access to information about its performance, governance, activities and changes in legislation that may affect the accounting, financial, and business advisory professions generally. CPA Australia's principal communication channels with members include its Integrated Report, the monthly e-publication, INTHEBLACK, the weekly e-newsletters, CPA Update and TaxNews, and CPA Australia's website. Board Updates are issued regularly.

In 2023, the Notice of the Annual General Meeting (AGM) was provided to all members and also posted on CPA Australia's website. The meeting was held on 17 May 2023 at 5:30pm (AEST), at the offices of CPA Australia, Level 20, 28 Freshwater Place, Southbank, Victoria. The Board conducted a hybrid AGM using technology to enable members the greatest opportunity to participate either in person or online. Members (and their representatives) were encouraged to submit their proxies if they wished someone to attend the meeting on their behalf online.

Members together with the Directors, and CPA Australia employees working at the AGM were able to attend the physical venue of the AGM.

For those who could not be physically present, members were also able to view, listen to and ask questions at the AGM in real time with the assistance of live webcasting. Questions were posed in text format online and as in past years, members were able to dial in and ask questions by voice online during the AGM.

Members entitled to vote at the meeting could:

- attend the meeting physically; or
- prior to the AGM, appoint a proxy to attend the meeting either at the physical venue or online on their behalf.

With respect to Member communications, Members can elect to receive information from, and send information to, CPA Australia electronically. This has been further facilitated by the provision of a Board email address, **boardofdirectors@cpaaustralia.com.au** and the Divisional President email addresses for members to be able to communicate directly with their local representative members - in addition to being able to contact CPA Australia staff in their local office or relevant line area for operational enquiries and support. Members can also contact the Appointments Council at a dedicated email address, **appointments.council@cpaaustralia.com.au**.

Detailed information about CPA Australia including the Constitution, By-Laws, Charters, the Integrated Reports, the Corporate Governance Statement, the Board, Committees, the Appointments Council, the Council of Presidents, Advisory and Compliance Committees, Centres of Excellence, media statements and profiles of the Directors, the CEO and the Executive Leadership Team are available online through CPA Australia's [website](#).

## Member Engagement and Communication

CPA Australia's Board draws on the views of its members. Through CPA Australia's councils and committees members can:

- support the organisation and represent members from their location or industry sector;

- provide feedback and guidance on issues impacting members and the profession to assist the board and management; and
- increase their professional knowledge and networks.

The Council of Presidents (comprising the Presidents of each of the Divisional Councils) advises the Board on strategic issues and opportunities, drawing on the views of the members. The responsibility of the Council of Presidents includes two-way engagement with Divisional Councils and the Board.

The Board provides updates to members through Board Updates after each Board meeting.

The Member Engagement and Culture Committee oversees matters involving engagement with all of CPA Australia's members by:

- providing advice to the Board on matters relating to members;
- providing advice to the Board on member services and product (at a strategic level);
- advising on and maximising the effectiveness of communications with members and other key stakeholders; and
- doing all it reasonably can to protect and enhance the external reputation of CPA Australia.

The [strategy](#) reflects the evolving professional environment in which we operate. It equips CPA Australia to tackle the major issues shaping the profession with initiatives to stimulate tertiary study of accounting and finance, attract new members from related fields, and empower members to adapt to new technologies and develop interdisciplinary skills.

The [Education, Policy and Innovation Committee](#) assists the Board in fulfilling its statutory, corporate governance and oversight responsibilities relating to CPA Australia's education, research and innovation strategies. It has oversight of the education strategy relating to the CPA Australia professional programs, the innovative practices and technologies agenda of the organisation, particularly considering the rapidly changing environment in which CPA Australia operates and any impact on its strategic plans, and advising the Board in relation to organisational policy responses and thought leadership.

# PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk management is a key aspect of CPA Australia's governance arrangements. The goal of its risk management processes and structures is to maximise opportunities to achieve objectives and goals without exposing the organisation to unnecessary risk.

The Board has overall responsibility for the oversight of risk management including determining the risk appetite for CPA Australia and the approval of the Risk Management Framework and related policies.

The Audit, Risk and Compliance Committee assists the Board in providing objective, non-executive review and oversight of the approved Risk Management Framework and related policies so that risks are being actively managed within risk appetite, that compliance obligations are being met and that the organisation's insurance program is adequate, given the insurable risks associated with its business.

CPA Australia has a Board-approved Risk Appetite Statement that is reviewed and updated annually as well as when significant events occur. The Statement articulates the amount of risk the organisation is prepared to accept or avoid in pursuit of strategy. The Risk Appetite Statement enables the Board and management of CPA Australia to be aligned on risk management and to identify, assess and treat risks related to the achievement of objectives while remaining within the Board's approved appetite for those risks.

This includes:

- making decisions that reflect the taking of appropriate risk for appropriate reward leveraging the right controls;
- providing timely monitoring and reporting on risks to all stakeholders;
- creating a sound risk culture that is embedded throughout the organisation;
- continually improving and maturing the management of risk; and
- satisfying corporate governance and regulatory requirements at all times.

Throughout 2023, CPA Australia continued to further enhance and consolidate its Risk Management Framework and practices including:

- further embedding a risk management culture across the organisation;
- reviewing and updating the Risk Appetite Statement and Risk Management Policy;
- establishing and reporting on key climate-related risks;
- management setting key risk indicators to help monitor performance against our risk appetite; and
- Board oversight of risk management activities with quarterly reporting to the Audit, Risk and Compliance Committee and an annual Board and Executive workshop for the formal assessment of existing, new and emerging risks.

CPA Australia follows the three lines of defence model in its business operations and approach to risk management:

**Line 1:** management and internal controls;

**Line 2:** risk management and compliance monitoring and reporting; and

**Line 3:** internal audit.

CPA Australia's internal auditors are RSM Australia. In 2021, the Board endorsed the recommendation of the Audit, Risk and Compliance Committee to re-appoint RSM Australia as CPA Australia's internal auditors for a further three years.

A three-year internal audit plan reviewed annually, is approved by the Audit, Risk and Compliance Committee and the internal auditors report to the Committee five times per year.

Internal audit has access to the Audit, Risk and Compliance Committee at any time.

The internal audit plan for 2023 was framed according to key strategic priorities and risks and evaluating the effectiveness of CPA Australia's controls to deliver and further operationalise the strategy. In 2023, the internal audit plan included reviewing the membership renewal process and MMF post implementation. The internal audit also focussed on:

- IT operational audits, including managing third party IT risk management and the IT strategy and framework; and
- payroll review.

## **Enterprise Risks**

The table on pages 29 and 30 of the [CPA Australia Integrated Report 2023](#) shows the key enterprise risks relevant to our Strategy in order of priority. Priority order has been determined by consideration of the residual likelihood of the risk occurring and the consequences of that risk on the organisation's ability to create value for CPA Australia and its members.

Our risk management approach is underpinned by a risk culture that supports decision-making in accordance with CPA Australia's values, objectives and risk appetite. CPA Australia has in place cyclical and strategic planning and evaluation processes that form part of its response to managing risks. We also engage external advisers with specific expertise, as and when required, and have an enterprise project management office that provides oversight and reporting over strategic projects and their associated risks. The table on pages 29 and 30 also shows the key specific responses to each individual risk. For external risks and opportunities please refer to pages 29 and 30 of the [CPA Australia Integrated Report 2023](#).

The four Committees of the Board in 2023 shared responsibility for decision-making on economic, environmental and social impacts and risks. These risks are disclosed throughout the CPA Australia Integrated Report 2023. The Audit, Risk and Compliance Committee reviews the Integrated Report covering all material issues and recommends the Report to the Board for approval.

## **Environmental, Social and Governance Considerations**

CPA Australia continues its commitment to achieve Net Zero greenhouse gas (GHG) emissions within the organisation and encourage and support its members through the provision of tools, resources and policy and advocacy efforts to play a role in tackling climate change in their own organisations and communities.

CPA Australia's [Net Zero Emissions Pathway](#) encompasses actions with respect to transitioning to green energy, reducing waste and improving energy efficiency in our places of work, tracking emissions generated through travel and in our supply chains, and promoting sustainability as a principal component of financial reporting. It also forms an integral part of our ESG strategy as well as CPA

Australia's strategy. For more information see pages 60 to 65 of the [CPA Australia Integrated Report 2023](#).

CPA Australia's [ESG strategy](#) aims "to incorporate ESG considerations into all our activities in order to meet the present and future needs of our members, employees and other stakeholders to support long-term environmental, social and governance performance".

We do this by:

- providing education, guidance and resources that help members future-proof their skills and integrate and implement environmental, social and governance initiatives;
- working with partners and suppliers who share our core values and objectives, and act ethically and responsibly to create long-term value;
- becoming an organisation that is resilient to climate change, in-line with our commitment to Net Zero;
- educating our employees to improve ESG outcomes in their work and life; and
- implementing regular ESG monitoring, reporting and assurance to enable continual improvement.

Our Net Zero Emissions Pathway is consistent with the objectives which underpin Recommendation 7.4 of the CGPR whereby all companies, regardless of size and operational complexity, have both an ethical obligation and an operational imperative to identify and suitably manage their environmental and social risks. More details on our ESG strategy can be found on our [website](#) and on pages 60 to 65 of the [CPA Australia Integrated Report 2023](#).

CPA Australia is committed to acting lawfully, ethically and responsibly (refer to Principle 3 above) in relation to its human rights and employment practices. The Company released its third Modern Slavery Statement (in June 2023) in compliance with the Modern Slavery Act 2018 (Cth). Our Modern Slavery Statements are supported by an in-depth gap analysis and roadmap from 2021 through to 2023 which identifies actions and functional responsibility supporting continuous improvement in practices in key areas such as procurement and risk. CPA Australia's Social Working Group (formerly the Modern Slavery and Human Rights Working Group) oversaw the overall implementation of the roadmap and the implementation of specific roadmap recommendations.

In 2023 the Board of CPA Australia reviewed its [Human Rights Policy](#) (which was approved in 2022), under which CPA Australia makes a commitment to respect human rights. We implement our commitment to respect human rights across our business, including through initiatives such as our Reconciliation Action Plan, LGBTQIA+ employee network, commitment to achieve net zero greenhouse gas emissions, and modern slavery reporting.

CPA Australia also commits to respecting all internationally recognised human rights and implementing the UN Guiding Principles on Business and Human Rights (UNGPs), including by exercising human rights due diligence.



# PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

## Directors

Article 42 of the [Constitution](#) provides that total Director remuneration cannot exceed a “Pooled Amount”. In accordance with Article 42, where the number of Directors is nine or less, the Pooled Amount is \$1,093,909.31 as of 1 October 2023 and is indexed to CPI annually. If the number of Directors appointed under the Constitution is ten, then the Pooled Amount is \$1,185,067.76 as of 1 October 2023 and is indexed to CPI annually.

In 2023, not all of the pool was used. Director fees for each Director are set out on pages 138 and 139 of the [CPA Australia Integrated Report 2023](#). Directors’ fees are inclusive of superannuation payments.

The Pooled Amount can only otherwise be increased by members passing an ordinary resolution at a general meeting of CPA Australia.

Within the Pooled Amount, Directors collectively determine the remuneration to be paid to each individual Director, having regard to their duties and responsibilities. The amount of remuneration paid to, and divided amongst, the Directors may be less than or equal to the Pooled Amount. If the Directors do not reach an agreement, the Pooled Amount is to be divided equally amongst them.

Directors do not receive retirement benefits. From their Director fees, CPA Australia pays superannuation to the Directors’ nominated superannuation funds in accordance with Company policy and legal requirements.

## Executive Leadership Team

The Board independently and objectively assesses the organisation’s decisions and oversees the performance and activities of the Executive Leadership Team under the Board-approved Strategy.

The Board has the responsibility to appoint the CEO and to approve their terms of appointment.

The CEO has personal performance indicators and is eligible for an incentive payment, subject to the approval of the Board, after its evaluation of the performance of the CEO. This evaluation involves an assessment of a range of factors, including the overall performance of CPA Australia and the achievement of predetermined goals.

In 2023 the Board considered overall management remuneration and approved remuneration for the Executive Leadership Team. The Board approved the salary bands for management and any increases, based on external advice from qualified specialists and with a view to safeguarding member value. Under the terms of CPA Australia’s incentive scheme, attainment of demanding KPIs can result in a reward being approved by the Board and paid to staff who reach organisational and individual performance targets. CPA Australia’s Strategy includes a set of performance indicators that place member value and satisfaction at the heart of the Executive Leadership Team’s focus.

The Board reviews and approves CPA Australia’s remuneration framework and associated policies for all employees (including incentive methodology and annual movements in salary scales).