

## **CORPORATE GOVERNANCE STATEMENT**

### **OVERVIEW**

Corporate Governance is core to ensuring the creation, protection and enhancement of membership value. The Board maintains and ensures that The Royal Australian Chemical Institute Incorporated (the RACI) management maintains the highest level of corporate governance ethics. The Board comprises elected Board Members who bring independence, accountability and judgment to the Board's deliberations to ensure maximum benefit to members including employees, creditors, government regulators and members of communities where the RACI operates.

The structure, purposes and powers of the RACI are set out in the RACI's Constitution and By-laws and are the basis of the RACI's incorporated legal status. A copy of the Constitution and By-laws is available on the website at <http://www.raci.org.au/national/downloads/index.html>

The operational policies and procedures of the RACI are set out in the RACI's Operations Manual. A copy is available on the website at <http://www.raci.org.au/national/downloads/index.html>

### **THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT**

All matters relating to the Board, including Board Members and their profiles, Board Committees and the Board Charter, can be found in the Corporate Governance section of the RACI website at <http://www.raci.org.au/national/raci/governance.html>.

The Board is responsible for:

- promoting ethical and responsible decision-making;
- ensuring compliance with laws, tax obligations, regulations, appropriate accounting standards and corporate governance policies;
- setting and reviewing strategic direction and approving the annual operating budget;
- overseeing the RACI, including its control and accountability systems;
- monitoring the operating and financial performance of the RACI;
- approving and monitoring major expenditures;
- appointment and removal of the Executive Director;
- monitoring the performance of the Executive Director and National Office;
- ensuring a clear relationship between performance and executive remuneration;
- monitoring risk management;
- ensuring that the members are fully informed of all material developments; and
- recognizing, facilitating or promoting the legitimate interests of members and stakeholders.

Board Members receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

The powers of the Board are described in the Constitution (paragraph 6).

In accordance with the Constitution, By-laws, and the Associations Incorporations Act 1981 and Regulations (as amended), the Board may do all lawful things as the RACI may think incidental or conducive to the attainment of the purposes of the RACI.

### **BOARD MEETINGS**

The Board holds at least three (3) formal meetings a year. Additional meetings are held as required. A Strategy Meeting is held annually to review and approve the strategy and financial plan for the next financial year.

## **THE BOARD IS STRUCTURED TO ADD VALUE**

The RACI has eight (8) Board Members who are independent elected Corporate Members. Any Corporate Member of the RACI, except those paid a salary by the RACI, may nominate for election to the Board.

The Executive Director, an employee of the RACI appointed by the Board, is a non-voting member at Board meetings.

## **INDEPENDENCE**

Independent Board Members are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions at the board table free of concern about their position or the position of any third party.

Independence is critical and the approach and attitude of each elected Board Member must be considered as well as taking into account all relevant factors. Criteria for independence may include whether the elected Board Member:

- has been employed in an executive capacity by the RACI;
- has been a professional adviser or a consultant to the RACI or an employee associated with the service provided;
- is a supplier or customer of the RACI, or an employee associated directly or indirectly with a supplier or customer;
- has any contractual relationship with the RACI; or
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the Board Member's ability to act in the best interests of the RACI.

The RACI Board Charter requires each Board Member to immediately disclose to the Board if he/she has any concern about his/her independence. All RACI elected Board Members bring an independent view to the consideration of Board issues.

The Executive Director, by virtue of appointment by the Board, is an employee of the RACI and is not independent of the Board.

If necessary, independent professional advice is available to Board Members at the RACI expense.

The operation of the RACI is facilitated, and the Board advised, by a number of subcommittees. The subcommittees are:

- “Chemistry in Australia” Management Committee
- International Relations
- Qualifications and Accreditation (incorporating CPChem)
- Nominations Committee (for Board and Committee membership)
- History and Archives
- Investments
- Professional Assessment
- Risk and Audit

## **THE ASSEMBLY**

The operation of the RACI is facilitated by an Assembly of the RACI. The Assembly advises on all professional matters of the RACI and provides advice to the Board on such matters.

The structure, powers and responsibilities of the Assembly are set out in the RACI's By-laws. The responsibilities of the Assembly include:

- promoting the science and practice of chemistry;
- promoting honourable practice; and
- collecting and circulating statistics and other information relevant to chemistry.
- membership development

## **THE BOARD PROMOTES ETHICAL & RESPONSIBLE DECISION-MAKING**

The Board has a formal Code of Conduct and Ethics which deals with:

- compliance with laws and regulations;
- unacceptable payments;
- giving or receiving gifts;
- protection of RACI assets;
- proper accounting;
- dealing with auditors;
- unauthorized public statements;
- conflict of interest; and
- use of inside information.

A copy of the Code of Conduct and Ethics is available on the Corporate Governance section of the website <http://www.raci.org.au/national/raci/governance.html>

## **THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING**

It is the responsibility of the Finance and Administration Manager, the Honorary General Treasurer and the external auditor that the financial records of the RACI for the financial year have been properly maintained in accordance and compliance with the accounting standards, and the financial statements give a true and fair view of the financial condition and operations of the RACI.

The Board has established a Risk and Audit Committee. The Board and the Risk and Audit Committee monitor the independence of the external auditor. Regular reviews occur of the independence safeguards put in place by the external auditor. The RACI rotates the lead audit partner every five years and imposes restrictions on the employment of ex-employees of the external auditor.

The Risk and Audit Committee meets privately with management without the external auditor and with the external auditor without management.

## **THE BOARD RESPECTS THE RIGHTS OF MEMBERS**

The RACI has a Member Communications Policy which promotes effective communication with members and encourages effective participation at General Meetings. 'A copy of the Members Communications Policy is available from the National Office.'

The RACI places all significant announcements on its website and members receive an email of the announcement.

The Notice of Annual General Meeting (AGM) is on the RACI website and the minutes of the AGM are available for viewing on the website. For members unable to attend the AGM, a question form is available from the National Office, giving members the opportunity to forward questions and comments to the RACI or the external auditor prior to the AGM.

The external auditor attends the AGM and is available to answer members' questions on:

- the conduct of the audit;
- the preparation and conduct of the auditor's report;
- the accounting policies adopted by the RACI in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

## **THE BOARD RECOGNISES AND MANAGES RISK**

The operations of the RACI are complex and involve a range of strategic, operational, financial and legal risks. In recognising this, the Board has established a Risk and Audit Committee to oversee and monitor risk management. The Risk and Audit Committee is independent of the external auditor, has full access to management and the right to seek information and explanation. The Risk and Audit Committee oversees the scope of internal audit systems and has the ability to meet privately with and without management.

**THE BOARD ENCOURAGES ENHANCED PERFORMANCE**

The Risk and Audit Committee is responsible for evaluating the Board's performance. A formal review of Board and Committee performances is undertaken during the year by the Board. This involves the completion of a questionnaire concerning the performance of the Board and Board Committees and a detailed discussion of the aggregated results by the Board.

A formal induction program is available to new Board members to ensure they have a working knowledge of the RACI. The Board Members have open access to all relevant information and there are regular management presentations. Board Members may meet independently with management at any time to discuss areas of interest or concern.

**THE RACI RECOGNISES THE LEGITIMATE INTERESTS OF MEMBERS**

The RACI has formal policies relating to its legal and other obligations. These include areas such as occupational health and safety and employment practices.

Date Corporate Governance Statement Approved: 19 October 2006