

Corporate Governance Policy

POLICY

BACKGROUND

Scope (Vic) Ltd. (“Scope”) was established in 1948 as “The Spastic Children’s Society of Victoria” by a group of parents of children with cerebral palsy. It became “The Spastic Society of Victoria” and in 2002 changed its name to Scope in recognition of the change in the nature of its work to embrace a wider number of people with disabilities, not just those with cerebral palsy.

SCOPE’S MISSION

Scope’s mission is to support people with disabilities to achieve their potential in welcoming and inclusive communities.

We believe that disability means possibility.

THE SCOPE APPROACH

The Scope approach defines “the way we do things at Scope”. It applies to how we wish to behave in our dealings with others both inside and outside the organization.

The Board of Scope is committed to the Scope Approach and to its integration and influence on every aspect of Scope’s activities and governance.

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CORPORATE GOVERNANCE AND SCOPE

Scope is one of the largest providers of services to people with a disability in Victoria, and one of the largest not-for-profits in Australia.

As a public company limited by guarantee, Scope is committed to maintaining the highest standards of corporate governance and maintaining transparency and accountability to its stakeholders.

In selecting a set of principles on which to base this Corporate Governance Policy, Scope makes reference in particular to the Australian Standard 8000 (2003) Good Governance Principles. Other sources are referenced within the document.

DEFINITIONS

Constitution: The Constitution of Scope (Vic) Ltd.

Corporate Governance is “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations”¹

¹ Justice Owen in the HIH Royal Commission, *The Failure of HIH Insurance Vol 1: A Corporate Collapse and its Lessons, Commonwealth of Australia April 2003 at page xxxiii*

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Director: A director who is voted on to the board or appointed by the board in accordance with the Constitution.

Entity: Scope (Vic) Ltd.

Independent Director: An independent director is a director who

- (a) Has not within the last 5 years been employed by Scope.
- (b) Has not within the last 3 years been a principal or employee of a material professional advisor or a material consultant to Scope.
- (c) Is not a supplier or customer of Scope
- (d) Is not a client of Scope
- (e) Is not a parent of a client of Scope
- (f) Has no material contractual relationship with the company (other than as a director of the company)
- (g) Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Members: The members of Scope (Vic) Ltd. as classified by the Constitution.

Stakeholder: Those people or entities who may affect, be affected by, or perceive themselves to be affected by, a decision or activity including, but not limited to, members, clients and clients families.

PRINCIPLE 1: THE ROLE, POWERS AND RESPONSIBILITIES OF THE BOARD

1.1 General

The system of governance should ensure the strategic guidance of Scope, the effective monitoring of management by the board, and the board's accountability to Scope and the stakeholders.

All directors are expected to exercise independent judgment on all matters.

1.2 Board roles and powers

This policy specifies a director's rights, obligations and restriction with regard to dealing with management and stakeholders.

In their capacity as directors, directors have no individual authority to participate in the day to day management of Scope. This means that directors should make any representations or agreements with other companies, suppliers, customers, employees or other parties or entities unless such authority is explicitly delegated by the board, through a resolution to the director individually, or as a member of a board committee.

1.3 The Board members

See Appendix A: Board Roles

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1.4 Board responsibilities

The responsibilities of the board include the following:

- (a) The board should be responsible for the strategic direction of Scope.
 - The board should review and approve Scope's proposed strategy.
 - The objectives of Scope need to be clearly documented in a long term corporate strategy (5 years, updated annually) and an annual business plan together with achievable and measurable targets and milestones.
- (b) The board should approved budgets and other performance indicators and review performance against them and initiate corrective action when required.
 - Key performance indicators may include, but is not limited to, cash flows, liquidity, client satisfaction, productivity, employee attitudes and benchmark comparisons.
- (c) The board should ensure compliance with applicable laws and regulations
- (d) The board should ensure risks facing Scope have been identified, assessed and that the risks are being properly managed.
- (e) The board should ensure that policies on key issues are in place. The board should also review compliance with policies (refer AS/NZS 3806)
- (f) The board should adopt the most effective Board structure that best assists the governance process.
- (g) The board should approve and foster an appropriate corporate culture matched to Scope's values and strategies (refer AS 8003)
- (h) The board should appoint the chief executive officer and evaluate his or her ongoing performance against predetermined criteria.
- (e) The board should approve remuneration for the chief executive officer, and remuneration policy and succession plans for the chief executive officer and ensure that the remuneration for the senior management team reflects individual and business performance and that there is a coherent remuneration policy in place and it is being observed.

1.5 Board Independence

- (a) At least half of the directors should be independent (see definition)
- (b) Where a director becomes aware of a conflict of interest or note, that member should formally declare the conflict and accept the guidance of the board. The board should have clear protocols.
- (c) Directors should be actively involved in the development of the agenda for board meetings through the chairperson.

1.6 Board Appointments

1.6.1 General

- Appointment processes and decisions should be recorded and maintained. Full and accurate records of appointment should be created and maintained.
- The terms and conditions of appointment, as well as any other appropriate board and entity policies, should be provided to each new director.

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- The collective performance of the board, and of individual directors, should be periodically assessed. This could be done using key performance indicators developed for the purpose but may also include peer reviews.

1.6.2 Board skills

- The board should ensure that, collectively, it has the appropriate level of skills and experience required to fulfill its responsibilities.
- The board should review the mix of skills and expertise of its members on a regular basis and ensure that it has operational and technical expertise relevant to the operation of Scope (including policy skills and executive and leadership experience). The board should make arrangements for ready access to such skills where they are not available.
- Directors should have the appropriate personal qualities such as loyalty, honesty, the courage to ask tough questions etc.

1.6.3 Board Induction and Training

- Directors should undertake appropriate induction training on appointment
- Continuous education and professional development programs should be made available to directors, as necessary.

1.6.4 Code of Conduct

- The board should approve a written Code of Conduct
- The Code of Conduct should set out ethical and behavioural expectations for both directors and employees.
- Both board and senior management must demonstrate, through both their words and actions, absolute commitment to that Code and consistency within Scope.
- Adherence to the Code of Conduct should be periodically evaluated and intermediate action taken, where necessary.
- Board members may also be required to abide with other approved governance policies, for example, board protocols.

1.7 Board Committees

1.7.1 General

- The board may establish committees, in accordance with the constitution, as appropriate in order to share detailed work and consider certain issues and functions in detail.
- Typically board committee assignments will be allocated according to each director's field of expertise.
- Each committee should have its own charter, approved by the board, setting out its responsibilities, including, but not limited to:
 - (a) Membership;
 - (b) Meeting frequency and core agenda items;

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- (c) Committee authority; and
- (d) Board reporting obligations.

1.7.2. Board and Advisory Committees

The Board has determined the following are essential standing committees:

Finance Committee:

1. The Finance Committee shall be an Advisory Committee of the Board in accordance with the Constitution.
2. The role of the Finance Committee is to put in place a structure of review and authorization designed to ensure the truthful and factual presentation of the company's financial position². This should include (but is not limited to)
 - Review and consideration of the financial statements
 - Ensure the independence and competence of the company's external auditors.³
3. Members of the Finance Committee should be financially literate. Where a member does not have the requisite expertise on appointment, financial literacy should be attained within a reasonable period of time after his or her appointment. Membership should be periodically assessed and rotated to ensure the injection of new ideas. The Finance Committee may include members who are not directors but have the expertise and skills required.

People and Governance Committee

1. The People and Governance Committee shall be a Board Committee and may have delegated powers in accordance with the Constitution.
2. The role of the People and Governance Committee shall include, but not be limited to the,
 - the role of a nomination committee to oversee the selection and appointment practices of the company and
 - the role of a remuneration committee to ensure appropriate remuneration policies are in place
 - to oversee the governance practices of Scope
3. The President of Scope should chair the People and Governance Committee.

Risk and Audit Committee

1. The Risk and Audit Committee shall be an Advisory Committee of the Board in accordance with the Constitution.
2. The role of the Risk and Audit Committee shall be to review and advise the Board on Scope's policies on risk oversight and satisfy itself that management has developed and implemented a sound system of risk management and internal control (through oversight of the internal audit processes of the organization) and to review the annual external auditor's letter to ensure internal and risk issues are addressed.

² ASX Corporate Governance Council: *Corporate Governance Principles 2nd ed.* Principle 4 Safeguard integrity in financial reporting p 25

³ *ibid*

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The Board may raise terms of reference for additional committees such as Scope Business Enterprises and other ad hoc or working committees. Such terms of reference shall clearly set out the matters in 1.6.1

PRINCIPLE 2: REPORTING AND TRANSPARENCY OBLIGATIONS

The Board should ensure that the annual report provides performance information that demonstrates accountability for the expenditure of public monies and for the efficient and effective operation of Scope.

To do this, the annual report should:

- (a) report objectives that are clear and measurable;
- (b) focus on results and outcome;
- (c) discuss results against expectations;
- (d) explain changes over time;
- (e) discuss risks, strategies and external operating environment.

PRINCIPLE 3: THE ROLE OF STAKEHOLDERS

Scope recognizes the interests of stakeholders and encourages co-operation between Scope and the stakeholders in ensuring adherence to Scope's mission and the sustainability of a financially sound enterprise.

Scope will develop policies that ensure:

- The interests of stakeholders that are protected by law are respected.
- Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights
- Permit performance-enhancing mechanisms for stakeholder participation.
- Where stakeholders participate in the corporate governance process, they should have access to relevant information.

Where practical business partners of Scope, including suppliers and sub-contractors, should apply principles of corporate conduct compatible with Scope's own principles.

Related Documents

Attachments	
Doc. No.	Title
	Constitution of Scope (Vic) Ltd. dated * November 2008
07-01-00	Conflict of Interest Policy for Directors
-	Scope Code of Conduct – A Guide for all Employees
07-01-10	Director's Code of Conduct *
	<i>Board Induction Document</i> **
	<i>Board Recruitment and Succession Planning Policy</i> ***
	Board Professional Development Policy *

* Requires revision on adoption of revised Corporate Governance Policy

** Requires formalization

*** To be developed

APPENDIX A

Board Roles

A1 THE PRESIDENT

The President will be elected by the Board at the first Board meeting after the Annual General Meeting⁴.

The President's role shall include but not be limited to the following:

- (a) Ensuring the board provides leadership and vision to Scope;
- (b) Establishing the board agenda;
- (c) Presiding over board meetings and directing board discussions to effectively use the time available to address the critical issues facing Scope;
- (d) Ensuring board minutes properly reflect board decisions;
- (e) Making certain that the board has the necessary information to undertake effective decision making and actions;
- (f) Developing an ongoing relationship with the chief executive officer. As the major point of contact between the chief executive officer and the board, the President should be kept fully informed of the day to day matters of interest to directors.
- (g) Acting as a mentor for the chief executive officer.
- (h) Ongoing development and maintenance of a regular process of board and director evaluations.
- (i) Selection and nomination of directors (as chair of the People & Governance Committee).
- (j) Guiding the ongoing effectiveness and development of the board and individual directors.
- (k) Chairing the Annual General Meeting and other Meetings of Members.

A2 ROLE OF INDIVIDUAL DIRECTORS

In accordance with statutory requirements and in keeping with developments at common law, directors should have the following roles:

- (a) Discharge their duties in good faith and honestly in the best interests of Scope with the level of skill and care expected;
- (b) Use the powers of office for proper purpose, in the best interests of Scope as a whole;
- (c) Act with required care and diligence, demonstrating commercial reasonableness in their decisions;
- (d) Avoid conflicts of interest;
- (e) Not make improper use of information gained through their position of director;
- (f) Not allow personal interests, or the interests of any associated person, to conflict with the interests of Scope;
- (g) Make reasonable enquiries to ensure that Scope is operating efficiently, effectively and legally toward achieving its goals;

⁴ 2008 Constitution Clause 13.8 (a)

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- (h) Undertake diligent analysis of all proposals placed before the board;
- (i) Serve on board committees as required.

A3 ROLE OF THE CHIEF EXECUTIVE OFFICER

The chief executive officer is responsible to the board for the overall management and performance of Scope. The chief executive officer should manage Scope in accordance with the strategy, plans and policies approved by the board to achieve the agreed goals. In particular, the chief executive officer's responsibilities will generally include:

- (a) Taking and approving all and any actions and initiatives required to deliver Scope's strategic and operational plans as approved by the board;
- (b) Ensuring transactions outside the chief executive officer's delegation levels are referred to the board for approval;
- (c) Ensuring that all actions comply with Scope's policies in force from time to time;
- (d) Other responsibilities as delegated by the board to the chief executive officer.

A4 THE COMPANY SECRETARY

The company secretary is generally responsible for carrying out the administrative and legislative requirements of the board as follows:

- (a) Ensuring that the board agenda is developed in a timely and effective manner for review and approval by the president;
- (b) Ensuring, in conjunction with the chief executive officer, that board papers are developed in a timely and effective manner;
- (c) Coordinating, organizing and attending meetings of the board and members, and ensuring that correct procedures are followed;
- (d) Drafting and maintaining minutes of board meetings;
- (e) In conjunction with the chief executive officer and other senior management, carrying out the instructions of the board and giving practical effect to the board's decisions;
- (f) Meeting statutory requirements in accordance with relevant legislation;
- (g) Working with the President and the chief executive officer to maintain and deliver best practice governance.