

# *Corporate Governance Statement*



## Overview

This Corporate Governance Statement describes the governance framework, policies and practices of AustCham Shanghai. Our approach to corporate governance is based on a commitment to consultation with our members and being open and transparent when reporting our decisions and performance. This approach includes a commitment to excellence in governance standards, which the Board sees as fundamental to the sustainability of our business.

The diagram on the right illustrates the legal structure of our Company and the relationship between our members, directors and employees within this framework.



## Board Structure and Operation

### Governance Framework

The diagram below shows AustCham Shanghai's current governance framework, including the current Committees of the Board. From time to time, the Board may form other Committees or request Directors to undertake specific extra duties. The key functions of the Board and each of the Board Committees are outlined in this Governance Statement. The Board and Committee Charters are available on our website at [www.austchamshanghai.com](http://www.austchamshanghai.com).

### HK TRUST

Shares of Austcham Consulting Ltd (HK) held in trust on behalf of Corporate Voting Members of AustCham Shanghai.

### CHINA WFOE

Ao Shang Hui Consulting Ltd is the legal entity for the China operations trading as AustCham Shanghai. Fully owned by Austcham Consulting Ltd (HK).

### Board of Directors

HK Trust formally appoints Directors of the China WFOE based on the decision of the Corporate Voting Members of AustCham Shanghai at the Annual General Meeting. The Board elects Chairman, Deputy Chair and Audit and Risk Committee Chair who are automatically appointed as the Directors of Austcham Consulting Ltd (HK).

### MANAGEMENT TEAM

The Board appoints an Executive Director who reports to the Board and is responsible for managing the operations of the Company and implementing Board-approved strategies and policies.

*Note: Working committees such as Industry Forums or the CSR Committee are not Board Committees (that is, they have no delegation of authority from the Board) but sit beneath the CEO to implement Board-approved strategies and policies, or to provide a forum for consultation with members.*



The Board initiated a corporate governance review during the year. As part of that review the following governance documents have been introduced:

- Conflicts of Interest Policy;
- Director Conflicts of Interest Register; and
- Register of Non-Audit Services provided by external auditors.

Key people and independent service providers who provide oversight of corporate governance for AustCham Shanghai are listed in the table below.

### Ao Shang Hui Consulting (Shanghai) Ltd

#### Board of Directors

Ms Alexandra Chu	Non-Executive Director
Ms Heidi Dugan	HR Committee Chair; Non-Executive Director
Mr Simon Lance	Chairman; Non-Executive Director
Ms Stephanie Liu	Non-Executive Director
Ms Unice Liu	Non-Executive Director
Mr Bede Payne	CEO, Executive Director & Legal Representative
Mr Todd Pearson	Nominations Committee Chair; Non-Executive Director
Mr Craig Weightman	Deputy Chair; Non-Executive Director
Ms Becky Xia	Audit & Risk Committee Chair; Non-Executive Director
Mr Tony Zhang	Non-Executive Director

As part of the Governance Review undertaken during the year it was found that a change had been made to the number of permitted Board members under the Constitution of AustCham Shanghai through filings and that while this change was legally compliant it was not in compliance with the Members Charter. Resolutions 11 and 12 to be put to the Annual General Meeting aim to resolve this matter.

#### Board Appointments

Ms Maria McDermott	Company Secretary
Mr Martyn Huckerby	Company Supervisor
Mr Li Man Fai, Prime Pillar	External Auditor
Azure Group	Internal Auditor
Xinbai Law Firm	Legal Counsel
Ms Frances Gong, CPA Australia	Election Auditor

### Austcham Consulting (Hong Kong) Ltd

(100% shareholder of AustCham Shanghai)

#### Board of Directors

Mr Simon Lance	Non-Executive Chairman
Mr Craig Weightman	Non-Executive Director
Ms Becky Xia	Non-Executive Director

#### Board Appointments

*Extend Holdings Limited	**Trustee
*Extend Secretaries Limited	Company Secretary

\*Both entities are operating entities of Hong Kong fiduciary service provider a-pass.

\*\* The Trustee is the registered shareholder of AustCham Consulting Limited. The shares are held pursuant to a Declaration of Trust for the benefit of the members of AustCham Shanghai.

#### Board Meetings

The Board held nine (9) scheduled meetings during the one-year term of the current Board up until June 2021.

In addition to the Board considering strategic matters at each Board meeting, the Board also discusses and approves the overall strategic direction on an annual basis.

Directors are encouraged to voice their opinions in an informed and constructive manner at Board meetings, so that their experience and independent judgment can bear on the issues and decisions at hand.

Time is set aside in Board meetings without management present, so that Non-Executive Directors can discuss issues appropriate to such a forum.

The Chairman sets the agenda for each meeting, in conjunction with the Company Secretary and CEO. All Directors are welcome to suggest to the Chairman that particular items of business be included in the agenda and there are opportunities to raise issues under any other business at the meetings. Meeting packs are distributed to all Directors in advance of the meetings to allow them sufficient time to prepare for meetings.



The current Non-Executive Directors, their date of appointment and their meeting attendance record since the last Annual General Meeting are set out below.

<b>Board of Directors</b>	<b>Term in Office</b>	<b>Meetings Attended *1</b>
Ms Alexandra Chu	Director since June 2020	9
Ms Heidi Dugan	Director since July 2019 and HR Committee Chair since February 2021	8
Mr Simon Lance	Director since January 2017 and Chairman since July 2020	9
Ms Stephanie Liu	Director since July 2018	9
Ms Unice Liu	Director since March 2020	9
Mr Todd Pearson	Director since June 2020 and Nominations Committee Chair since June 2020	9
Mr Craig Weightman	Director since July 2015 and Deputy Chair-man since July 2016	8
Ms Becky Xia	Director since June 2020 and Audit & Risk Committee Chair since March 2021	9
Mr Tony Zhang *2	Director since February 2021	3

\*1 The Board held 7 ordinary meetings and 1 Strategy Day meeting during the period from 1 July 2020 – 31st May 2021;

\*2 Mr Zhang was appointed to the Board in February 2021 to fill a vacant position. There have been 3 meetings of the Board since Mr Zhang was appointed.

## Role of Directors

The Board Charter outlines the roles and responsibilities of the Board. Key responsibilities in summary are:

- Approving the strategic direction of the Company and significant strategic initiatives;
- Approving the Company's annual targets and financial statements, and monitoring financial performance against forecast and prior periods;
- Overseeing good governance practice; and
- Reviewing succession plans for the CEO.

The Constitution and the Board Charter enables the Board to delegate to Committees and management.

The roles and responsibilities delegated to the Board Committees are captured in the Charters of each of the three established Committees, namely:

- Audit & Risk
- HR
- Nominations

The Board Charter, Board Committee Charters and the



Constitution are available on our website at [www.austchamshanghai.com](http://www.austchamshanghai.com).

The Board has also delegated to the CEO and Executive Director, and through the CEO and Executive Director to other managers, responsibility for the day-to-day management of the business. The scope of, and limitations to, management-delegated authority is clearly documented. These delegations balance effective oversight with appropriate empowerment and accountability of management.

## Role of the Chairman

The Board elects one of the Non-Executive Directors as Chairman, currently Mr Simon Lance. Mr Lance was appointed Chairman in July 2020. The Chairman's role includes:

- Providing effective leadership to the Board in relation to all Board matters;
- Guiding the agenda and conducting Board meetings;
- In conjunction with the Company Secretary, arranging regular Board meetings throughout the year, confirming that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- Ensuring the performance of the Board and its Directors is in line with the Directors' Code of Conduct;
- Acting as the primary point of communication between the Board and the CEO;
- Representing the views of the Board to the public; and
- Taking a leading role in creating and maintaining an effective corporate governance system.



The Board encourages Directors to undertake continuing education and training to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. The Board, therefore, supports Directors being members of the Australian Institute of Company Directors in order to keep abreast of current governance issues and participate in webinars or online courses provided by the Institute.

on all governance matters. All Directors have unfettered access to the Company Secretary. Under the Board Charter, the Directors appoint the Company Secretary.

#### **Key focus areas of the Board over the past twelve months included**

- Review of the Strategic Business Plan for the Company;
- Overseeing management's performance in strategy implementation;
- Monitoring the Company's operating and cash flow performance, financial position and key metrics;
- Initiating a Corporate Governance review and implementation of new policies and procedures resulting from that.

#### **Role of the CEO and Executive Director**

Our CEO and Executive Director is Mr Bede Payne. The CEO and Executive Director's role includes:

- Leadership of the management team;
- Developing strategic objectives for the business; and
- The day-to-day management of AustCham Shanghai's operations.

#### **Director Induction and Professional Development**

All new Directors participate in an induction program to familiarise themselves with our business and strategy, culture and values and any current issues before the Board. The induction program includes meetings with the Chairman and the CEO. New Directors receive appropriate background documentation, coordinated by the Company Secretary and by the CEO on the nature of the Company's business and its key drivers.

#### **Access to Information**

All Directors have complete access to senior management and may seek information from the Company's Auditors, provided that all such enquiries are first advised to the Chairman and the CEO.

#### **Board and Director Performance Assessment**

The Board is committed to implementing a system for review of its own performance and that of its Committees annually. Under this system, the Chairman will also hold individual discussions with each Director to discuss their performance on a needs basis. The Chairman is responsible for evaluating the performance of the CEO, who in turn evaluates the performance of all other Senior Managers. The evaluations are based on Board-approved criteria, including the Company's business performance, achievement of long-term strategic objectives and the attainment of individual performance objectives.

#### **Company Secretary**

Our Company Secretary is Ms Maria McDermott, who was appointed to the role in October 2020. Under the Board Charter, the Company Secretary is accountable to, and reports directly to, the Board (through the Chairman where appropriate)



# Board Composition

## Essential Requirements

The Board considers that each Non-Executive Director must have the following essential personal attributes to be suitable to serve as a Director of the Company:

- High standards of personal integrity and ethical behavior;
- Independence of thought;
- Sound judgment and decision-making;
- Team player;
- Good listener;
- Strong interpersonal and communication skills;
- Active networker; and
- Available to serve the needs of the Company.

## Diversity

The Board recognises that a mix of Directors who represent a diverse range of viewpoints contribute to better decision-making. Therefore, it is important to ensure that its membership has an appropriate mix of people based on gender, ethnicity, industry represented, company-type represented, and length of tenure on the Board.

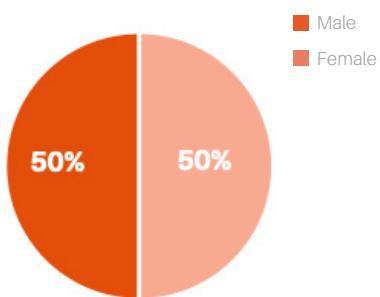
The adjacent tables and charts outline the current diversity of the Board membership.

## Skills, Knowledge and Experience

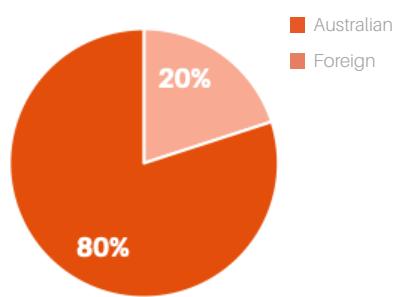
The Board recognises that each Director will not necessarily possess experience in all areas relevant to the Company's operations. Therefore, it seeks to ensure its membership includes an appropriate mix of Directors with skills, knowledge and experience in core competencies.

With this in mind, each Director completed a self-assessed skills matrix, which were consolidated and shown adjacent, highlighting the diverse strengths across the Board.

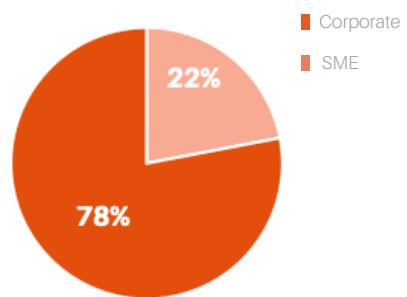
**Gender Diversity**



**Nationality Diversity**



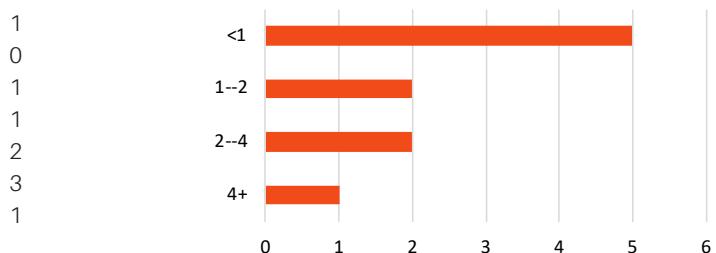
**Company Diversity**

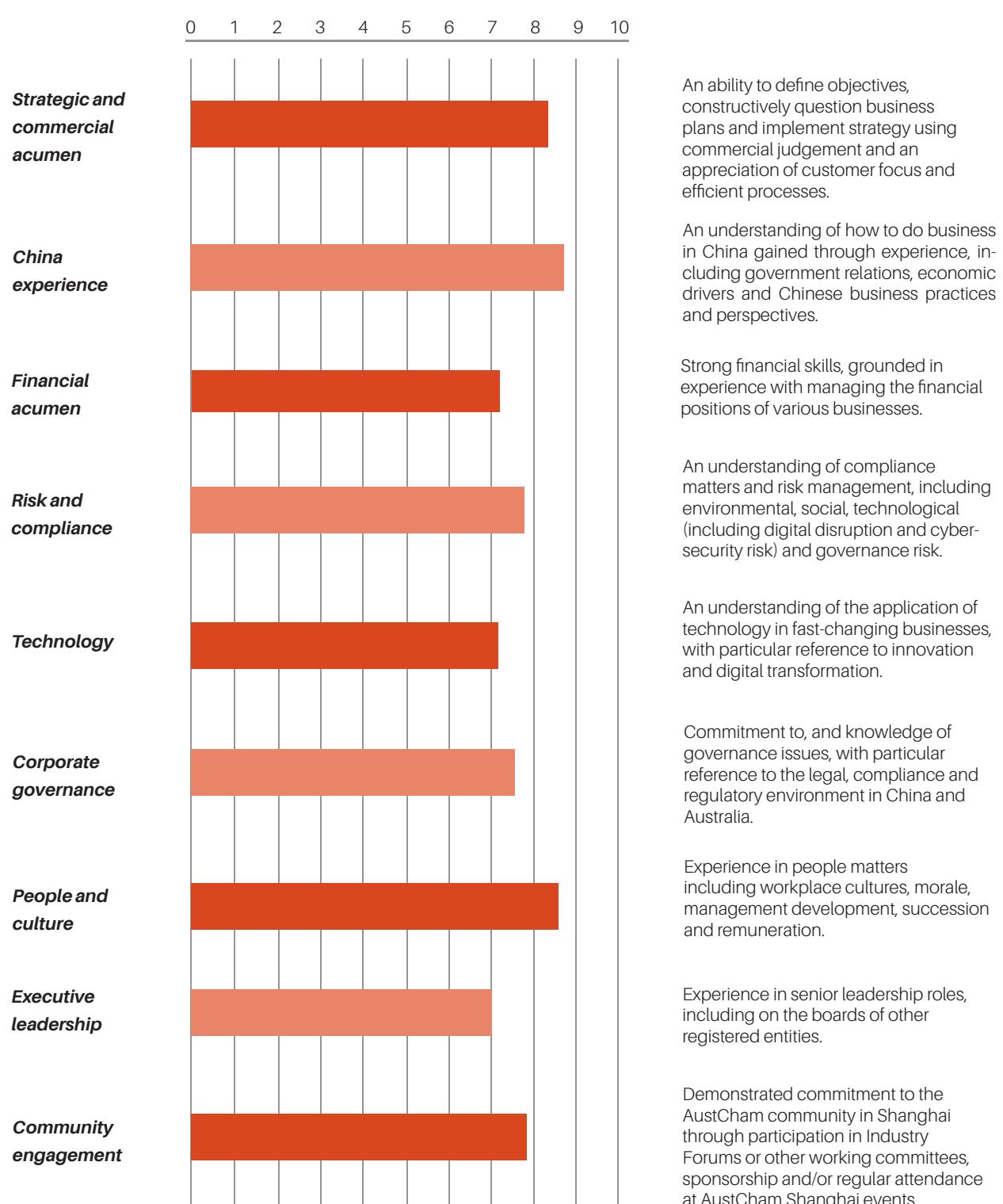


**Industry Breakdown of the Board of Directors**

Food, Beverage and Agriculture	1
Banking and Financial Services	0
Real Estate	1
Manufacturing	1
Media & Technology	2
Professional Services	3
Education	1

**Board Tenure**





## Board Committees

### Purpose

To increase the effectiveness of the Board's functioning and to allow the Board to spend additional and more focused time on specific issues, the Board has three standing committees, being the Nominations Committee, the Human Resources Committee, and the Audit and Risk Committee.

### Membership and attendance

Each of the Board Committees are comprised of Non-Executive Directors. The CEO and Executive Director has a standing invitation to attend all Board Committee meetings - except where the relevant Committee is discussing the CEO and Executive Director's employment arrangements or Non-Executive Director only sessions are being held - and may participate in discussions but has no voting rights. Other Senior Managers may be invited to attend Board Committee meetings where the Committee Chairman believes that person's attendance would be useful and relevant.

Each Board Committee has a formal Charter detailing the Committee's role and responsibilities. These Charters can be found on the Company website at [www.austchamshanghai.com](http://www.austchamshanghai.com).

Details of the current membership of each Committee are outlined

<b>Committee Name</b>	<b>Members</b>	<b>Meetings Attended/Held</b>
Audit and Risk Committee	Ms Becky Xia (Chair) *1 Ms Stephanie Liu Mr Craig Weightman	2/6 6/6 6/6
Nominations Committee	Mr Todd Pearson (Chair) Ms Alexandra Chu Ms Unice Liu	3/3 3/3 3/3
HR Committee	Ms Heidi Dugan (Chair) Mr Simon Lance Mr Tony Zhang *3	3/3 2/3 1/3

\*1 Ms Xia was appointed to the Audit and Risk Committee in March 2021 and there have been two committee meetings since her appointment.

\*2 Mr Lance stepped down from the Human Resources HR Committee in July 2020 and was re-appointed in December 2021 to fill a casual vacancy.

\*3 Mr Zhang was appointed to the HR Committee in April 2021 and there has been one committee meeting since his appointment.

in the table above, along with the meeting attendance record for members of each Committee.

### Board Committee Meetings

Board Committee meetings are held at scheduled intervals during the year, with additional meetings convened as required.

The Board Committees are generally scheduled to meet prior to the Board meeting.

Minutes of each Board Committee meeting are formally approved by the Committee Chair and included with papers in the following Board meeting.

### Audit and Risk Committee

The Board is concerned with ensuring the integrity of the Company's financial reporting, its management of risk, and its legal, regulatory and policy compliance. The Audit and Risk Committee assists the Board in achieving this objective.

The Audit and Risk Committee assists the Board to meet its oversight responsibilities in relation to the Company's:

- Financial statements and financial reporting;
- Financial risk management processes, accounting and control systems;
- Internal and external audit arrangements;
- Compliance with legal, regulatory and internal policy requirements; and
- Risk management programs.



### **Key focus areas of the Audit and Risk Committee over the past twelve months**

- The preparation of the statutory financial accounts of the Company, including the review of those accounts and the application of accounting policies in accordance with Chinese Accounting Standards;
- Reviewing and implementing an internal audit plan to assess the effectiveness of the Company's internal control environment. Engaging with the internal auditor on their findings and making recommendations to the Board to implement;
- Review and update of the risk management and action plan, and periodic assessments of the significant risks of the Company;
- Review and update of a Business Continuity Plan;
- Reviewing and evaluating the adequacy of the Company's insurance arrangements to ensure appropriate cover for identified operational and business risks;
- Review and update of financial reporting to provide real-time financial data to the Board; and
- Overseeing the Corporate Governance review and making recommendations to the Board based on the findings of the review.

### **HR Committee**

The Board's objective is to ensure that the Company has adopted remuneration and human resources policies that meet the needs of the Company and encourage a performance-oriented culture.

The role of the Committee is to:

- Ensure appropriate policies and procedures are in place to assess the remuneration levels of the CEO, Senior Managers and staff;
- Ensure a clear relationship between business performance and the key performance indicators and remuneration of the CEO and Senior Managers;
- Align management and staff incentive awards with the creation of value for members;
- Ensure that the Company's human resources strategy, policies and procedures are appropriate to the Company's needs and clearly designed and executed.

### **Nominations Committee**

The Board's objective in relation to Board nomination and review is that the Company has adopted transparent policies and practices to allow members to elect a Board that:

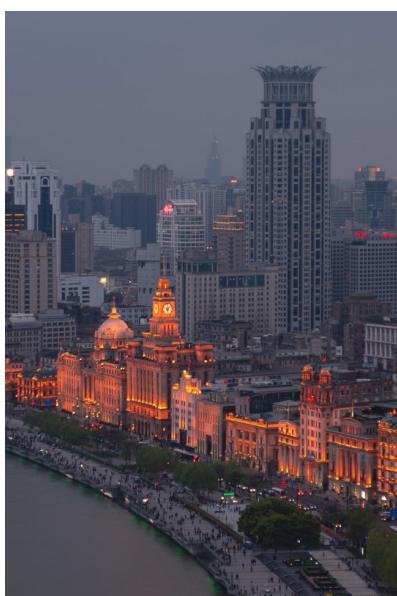
- Has an effective composition, size, mix of skills, experience and commitment to adequately discharge its responsibilities and duties and add value to the Company and its members;
- Has a proper understanding of, and competence to deal with, the current and emerging issues of the Company; and
- Can effectively review and challenge the performance of management and exercise independent judgment.

### **Key focus areas of the Nominations Committee over the past twelve months**

- Review of nominations and elections process;
- Review and update the Directors' skills matrix; and
- Assessing and implementing the annual performance appraisal of the Board and Committees.

### **Key focus areas of the HR Committee over the past twelve months**

- Improving & updating HR & Payroll Policies, Procedures, Compliance and Governance;
- Support for CEO's employee engagement Action Plan and organisational restructure;
- Review of staff remuneration & incentive plans;
- Oversight of CEO performance & professional development;
- Reviewing succession plans.



## Risk Management Framework

The Board is responsible for approving the Risk Management Strategy and for monitoring the effectiveness of risk management by the Company.

The Board has delegated to the Audit and Risk Committee responsibility to:

- Review and recommend the Risk Management Strategy to the Board for approval;
- Approve frameworks, policies and processes for managing risk.



The CEO and management team are responsible for implementing our risk management strategy and frameworks, and for developing policies, controls, processes and procedures for identifying and managing risk in all of the Company's activities.

### *Internal Audit Function*

The Audit and Risk Committee Charter sets out the role of the Committee in executing the internal audit function. The Audit and Risk Committee oversees a risk identification process and then recommends an annual internal audit plan to ensure that planned audit activities are aligned to material business risks.

The Audit and Risk Committee recommends an Internal Auditor to the Board for approval and

reviews internal audit reports issued by the internal auditor. Our Internal Auditor, Azure Group, has been appointed for a two-year term commencing June 2018.

The Committee also monitors progress with recommendations made in internal audit reports to ensure the adequacy of the internal control environment. The internal audit function and external audit function are separate and independent of each other.

The roles and responsibilities of the Audit and Risk Committee are further set out in the [Audit and Risk Committee Charter](#).

- A financial relationship exists between the External Auditor and the Company; and
- The auditor provides any non-audit services to the Company.

Our external auditor, Mr David Li of Prime Pillar, was appointed by the Board for a two-year term in November 2017, which was subsequently ratified by members at the 2018 Annual General Meeting. Mr Li has provided an independence declaration to the Board for the financial year ended 31 December 2019. The independence declaration forms part of the Auditor's report and is in accordance with the Hong Kong Institute of Certified Public Accountants Code of Ethics for Professional Accountants.

If it becomes necessary to replace the External Auditor for performance or independence reasons, the Audit and Risk Committee will provide a recommendation to the Board for the selection and appointment of a new auditor.

### *External Audit Independence Policy*

The role of the External Auditor is to provide an independent opinion that our consolidated financial reports are true and fair, and comply with applicable regulations. The Audit and Risk Committee reviews the effectiveness, performance and independence of the External Auditor annually.

In reviewing the independence of the auditor, the Audit and Risk Committee must assess whether:

- An employment relationship exists or could be deemed to exist, between the Company and the External Auditor, its officers or former officers, employees or former employees or certain relatives;

### *Financial Risk Certification*

The CEO provides a written statement to the Board in respect of the full-year reporting periods.

With regard to the maintenance of financial records, compliance of financial statements with accounting standards and systems or risk management and internal compliance in this written statement, the Board received assurance from the CEO that the declarations were founded on a sound system of risk management and internal control and that the system was operating effectively in all material aspects in relation to financial reporting risks, in respect of the full-year reporting period.

## *Company Supervisor*

In accordance with the Company Law of China and the Company's Constitution, the Directors of our Shareholding Company in Hong Kong must appoint a Company Supervisor. The main role of the Company Supervisor is to check the Company's financial affairs and ensure that Directors are performing their duties in accordance with the Company Constitution.

The Company Supervisor may attend meetings of the Board or its Committees provided that prior notice is given to the Chairman of the Board.

The Company Supervisor has complete access to Senior Management through the Chairman, CEO and Company Secretary at all times and may seek information from the Company's External and Internal Auditors provided that all such enquiries are first advised to the Chairman and the CEO.

Our Company Supervisor is Mr Martyn Huckerby, who was appointed by the Board for a three-year term in January 2017 and subsequently ratified by members at the 2017 Annual General Meeting.

## **Conduct and Ethics**

### *Codes of Conduct*

The Board has adopted Codes of Conduct that detail standards for acceptable practices by the Company Directors, Members, and Employees, and the behaviour and responsibilities expected of them.

The Codes exist to ensure that all of the Company's people act in the best interests of the Company; manage any potential conflicting interests; act in the best interests of their customers and colleagues

(absent any conflict with their duties to the Company); ensure all business is undertaken safely, fairly, honestly and ethically; maintain confidentiality; comply with Company policy; and behave in accordance with the underpinning values of the Company.

The Board is committed to promoting conduct and behavior that is honest, fair, legal and ethical and respects the rights of the Company's members and other stakeholders - including clients and customers, suppliers, creditors and employees.

The Codes of Conduct are periodically reviewed to ensure compliance with legal obligations and ethical principles.



### *Directors' Conflict of Interest*

All Directors are required to disclose any actual, potential or apparent conflicts of interest upon appointment and are required to keep these disclosures to the Board up to date.

Any Director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not be present during the boardroom discussions or vote on the relevant matter.

## *Board of Directors' Guiding Principles*

To complement the Directors' Code of Conduct, the Board has agreed on a set of guiding principles for the operation of the Board and the conduct of its meetings. The Guiding Principles Statement can be found below.

### **Guiding Principles Statement**

"The Board of AustCham Shanghai is committed to developing a high performance Board and aspires to excellence in standards of governance.

We will achieve this by:

- Being respectful and supportive of management, asking questions that stimulate management thinking and provide constructive input that ensures management derives value from Board input;
- Working together as a team;
- Encouraging and valuing diverse but well-informed opinions;
- Being accountable to members for our decisions;
- Maintaining openness and transparency in disclosing information at Board and Committee meetings;
- Adopting a consultative approach in our communications with members and other key stakeholders;
- Ensuring that the roles of the Board, Committees, the Chairman, the CEO and management are clearly defined in writing;
- Keeping debate and decisions within the Boardroom;
- Ensuring Board papers are circulated at least five working days before Board meetings (last minute papers will be kept to a minimum); and
- Keeping communications open with the CEO about relevant stakeholder activity outside of meetings."