

Corporate governance

Board of directors

The board, comprising an independent chairman, the chief executive officer and non-executive directors appointed by the company's owner members, is responsible for setting the company's strategic direction and corporate governance.

Owner members that participate in three of the company's clearing systems and have, on average, at least 5% of the transaction volumes in at least three of the company's clearing systems are entitled to appoint a nominee director. The building societies and credit unions are also each entitled to appoint a nominee director.

Chairman of the board

The chairman is a non-voting director and holds office for two years from the date of appointment. The term of the current chairman, Mr R N Challis, expires on 21 October 2007. Mr Challis has indicated his intention not to seek a further term, and accordingly in May 2007 the board appointed a Selection Committee to seek a replacement in accordance with the terms of the Constitution.

Chief executive officer (CEO)

The CEO is a board-appointed, non-voting, executive director. The CEO manages the company's affairs under the broad guidance of the board. The CEO's performance against agreed goals is assessed on an annual basis by the board.

Reserve Bank of Australia (RBA) liaison arrangements

On 17 May 2007, APCA and the RBA agreed to new liaison arrangements. Under the new arrangements, senior staff of the RBA and APCA consult on a regular basis on issues of industry policy. In addition, to facilitate self-regulatory processes, the RBA has stepped away from its automatic rights to appoint representatives to APCA's board of directors and management committees. As a substantial user of payment systems, it remains eligible for representation on the same basis as other APCA members.

Management committees

In accordance with the company's constitution, the board has established a management committee for each of the company's five clearing systems. Acting under delegated authority from the board, management committees are responsible for the efficient operation and management of each clearing system. Members of a management

committee are appointed for a two-year term by participating members of the clearing system concerned. Directors may also appoint up to two members of a management committee to represent the collective interests of clearing system members that are not otherwise represented.

Other board committees

The board is empowered to establish other committees as it sees fit to assist in managing the company's affairs. The board has established three such committees, the Finance and Audit Committee and the Remuneration Committee for good corporate governance and the Fraud Committee.

Finance and Audit Committee

The Finance and Audit Committee (F&A Committee) comprises a number of non-executive directors and the CEO. Its primary functions are to review the company's internal financial practices and audit results, monitor the effectiveness of the company's financial controls and administrative policies, monitor various risk exposures and statutory compliance matters, and review the company's budget and monitor expenditure against it.

Remuneration Committee

The Remuneration Committee comprises the chairman and the members of the F&A Committee. Its responsibilities are to establish remuneration policies and practices for the company generally and to recommend remuneration levels and contractual arrangements for the CEO.

Financial controls

The company's annual budget is approved by the board each year. Expenditure that would lead to any material increase in the required budget is also brought to the board for approval. The company has an annual external extended audit to test adherence to accounting policies in addition to the annual financial audit.

The company's financial statements are published separately from its Annual Review.

Legal risk

Two in-house lawyers monitor legal risks on a day-to-day basis. Business practices are regularly reviewed to ensure they are in keeping with the company's legal responsibilities and with company policies. External legal advice is also obtained when appropriate.

Adequate and appropriate insurance cover is in place. This is assessed annually in consultation with the company's brokers.

Risk management

A process for managing internal risks which is in line with the Australian and New Zealand Standards AS/NZS 4360:2004. It covers aspects such as reputation, the workplace environment (including IT), information security, legal and regulatory compliance, finance and human resources management. APCA's risk and compliance manager regularly meets with the Internal Management Team to review and update the risk register.

Occupational workplace risk

The company has policies in place to ensure that it complies with workplace-related laws. They include an equal employment opportunity and discrimination policy, a harassment policy, grievance handling procedures and an occupational health and safety policy. The company's employees are periodically reminded about the importance of compliance with these policies. Directors and all committee members are also reminded of the terms of the harassment policy annually.

Codes of conduct

All directors, management committee members and senior executive staff must comply with a Directors' and Officers' Code of Conduct. The Code was developed using a model from the Australian Institute of Company Directors. Directors and management committee members review adherence to the Code annually. The currency of the Code is also reviewed annually by the company's legal department.

Additionally, all company employees are required to comply with a code of conduct, which covers such matters as confidentiality, conflict of interest, and standards of behaviour in business dealings.