

Governance in the annual report

Few, if any, sports bodies go beyond a listing of board biographies in the annual report. In other sectors it is becoming more common to see a section detailing the board's performance during the previous year.

A governance statement is one of the key tools for the organisation to communicate to its owners and other important stakeholders, and goes beyond a bland and mechanistic 'checklist'

A reader will be able to gain confidence from the governance statement that the board is proactive in directing and controlling the organisation, has a good level of overall competence, and a transparent philosophy and approach to its job.

A governance statement demonstrates the board's commitment to on-going improvement in its performance noting, in particular, areas for development that the board has identified and is acting upon.

Such a statement pertains to the process of governance specifically and is in addition to the annual report commentaries from the chief executive and chair. A comprehensive governance statement in the annual report will cover the following items:

Board composition

- The size and composition of the board, including the length of tenure, qualifications, relevant experience, expertise and other commitments (e.g. number of other directorships) of each director.
- The balance between elected and appointed members and any criteria for the degree of independence expected of directors.

Subsidiaries

- Where appropriate, a description of relationships with subsidiary entities, including applicability of the chief entity's corporate governance standards to those subsidiary entities.

Meetings, committees and attendance

- A register of directors' attendances at meetings, including any standing committees.

Cost of governance

- The cost of governance for the year including a declaration of any remuneration that board members received and the policy on expense reimbursement.

Appointment processes.

- The process for appointment of directors, including criteria for appointment and re-election, any restrictions on term of office, the extent and direction of succession planning, and processes for induction of new members.
- Comment on the diversity and skills balance within the board membership and the board's approach to these issues.

Governance evaluation and performance

- The frequency and nature of governance reviews
- The board's commitment to development of governance capabilities and related initiatives undertaken during the year.

Strategy and risk

- The extent of the board's involvement in setting and reviewing the company's strategic direction.
- The board's approach to the characterisation and management of significant business risks.

Communication

- The process and nature of communication with shareholders and other important stakeholders.

Standards and policies

- Whether policies are in place to define the board's role, the nature of its interaction with management and to establish expected standards for board performance and behaviour.
- The existence and confirmation of the use of policies on the disclosure and management of any potential or actual conflict of interest between any director and the entity and its owners, (noting in particular the roles that directors may have within sport and related organisations).
- The process for setting and reviewing the chief executive's remuneration.
- Policies defining which corporate decisions (such as those on direction, control and major expenditure) are reserved for the board rather than management.

The board's focus for the year

- The ways in which the board has contributed to improved performance during the year in review. Where the board has expended most of its effort, the major issues that were addressed by the board and how decisions were made on those issues.
- What, if any, significant changes in governance practices have occurred since its previous annual report.