

16 March 2017

Dear Members

Recently a number of inaccuracies about CPA Australia have been circulating across multiple mediums including social media platforms, member email correspondence and in the media.

It is important for these inaccuracies to be addressed.

The Board has asked for the attached document to be prepared for circulation to members. It provides factual information relating to the issues that have been raised.

This document deals directly with assertions, which are detailed under relevant headings and indexed for your convenience.

We encourage all members to take the time to read this document as well as read the information available on our website and in our annual reports for a comprehensive view of the performance of our organisation.

If any member has questions about any of the matters raised in this document please feel free to contact me.

Regards



Jeff Hughes FCPA
Chief Operating Officer – Member Services

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INTRODUCTION

CPA Australia has a long, proud history and it is with considerable pride that we can say our business has never been stronger and our reach has never been broader.

Our strategy of growing our brand and broadening the audience, providing access to knowledge and advocating on behalf of members, the profession and the public interest has been clearly articulated since 2009 and reported in every annual report since that time.

The strategy is built on member feedback on key matters of importance to them. Given we have more than 160,000 members there will always be diversity of views, however our strategy is built on feedback across the membership base gathered through multiple channels and these matters have remained consistent over time.

Our focus on the delivery of our strategy has seen the organisation deliver combined surpluses of \$58.5m over the past eight years compared to \$32.2m delivered in the preceding 122 years. This has allowed us to continue to invest in the business to provide better service to members.

With a strong financial position, a global footprint of recognition and an internal culture of passion and integrity our business continues to thrive.

Interest in our brand is unprecedented. More people are joining, joining from other bodies, and staying as members than ever before. This includes the sign-up of around 600 CAANZ members in recent times.

Our staff, led by our chief executive and the executive leadership team, continues to deliver against the organisation's strategic objectives, as directed by the Board.

The questions recently raised make it clear that some people are, at best, taking a cursory glance at our annual reports or Notices of AGM.

At the 2016 AGM the President explicitly addressed many of the issues that have been raised publicly including discussion of the quantum of marketing spend and the profile of the chief executive. The [President's AGM address](#) was made available on the CPA Australia website following the AGM.

We encourage all members to read the information available on our website and in our annual reports for a comprehensive view of our performance.

The facts relating to the matters raised are laid out in the following sections and cover:

- Governance
- Strategic focus
- Value to members
- Fiscal responsibility
- Sports sponsorship
- Social media and website access
- Responding to media

GOVERNANCE

MEMBER VOTING MECHANISMS

Since the establishment of the Representative Council following the EGM in 2006, a clear process has existed for the nomination and appointment of Directors.

Up until 2007, only Divisional Councillors could be elected to the Board. Key changes approved at the 2006 EGM allowed for 'external' or 'non-member Directors' (to bring a different perspective and skill mix to the Board). A further change in 2012 saw the introduction of a 'Best of the Best' model for Director Appointments (Special Resolution 1, approved at the 2012 AGM), moving away from appointments being linked to geographic locations, being divisions.

Taken together, these changes mean that today, any eligible member from anywhere in the world is able to seek election to the Board every year and we call for these nominations openly and transparently through member channels and public advertisements.

Members are involved at all stages of the election process, which starts with members belonging to a Divisional Council in the state, territory or country where they live. Those members elect their Divisional Councils (Article 65(a)). Divisional Councils then elect a number of their members to the Representative Council (Article 62(a)), with the Representative Council electing the Board (Articles 44(a) and 61(a)), from the applications submitted by voting members.

Ultimately, the Directors are elected by the Representative Council. Whilst the Representative Council may have regard to the Nomination and Remuneration Committee's Report recommending various candidates, the Representative Council ultimately can decide to disregard this Report and elect to the Board any member who has submitted an application (By-Law 6.8 (n)).

Consistent with ASX principles, including diversity, in limited circumstances (not in respect of the election of Directors to the Board), the Board may appoint a member(s) to the Representative Council to ensure diversity. The Board can, if it determines that there should be a person on the Representative Council from any group to reflect membership diversity, request that relevant group, body or committee to elect a person to the Representative Council.

Currently our Board is comprised of seven men and five women, with two Directors residing in Asia, reflecting the diversity of our membership and adherence to the ASX principles.

Divisional Councils must always have a majority of seats on the Representative Council.

For completeness, the full process is set out below:

Representative Council

- The Representative Council's responsibility under the Constitution is that it must hold an election in accordance with the By-Laws to appoint Directors for a three year term, commencing on 1 October of that year
- Procedures regarding the appointment of Directors and the election process to be undertaken are located in Article 44 of the Constitution and Part 6 of the By-Laws

Composition of the Representative Council

- Under Article 62(a), one Divisional Councillor from each Division is appointed by the respective Divisional Council
- If any Division to which there are attached more than 20 per cent of the total number of members, an additional Divisional Councillor is appointed
- The Board has delegated to the Nomination and Remuneration Council (under Article 62(a)), the power to select and appoint suitable members from "Other Groups" to the Representative Council
- Article 62(b) of the Constitution states that, Divisional Council appointments must not be less than or equal to 50 per cent of the total Council members

Nomination and Remuneration Committee

- The Nomination and Remuneration Committee has four members, all of whom are Directors of the Board
- By-Law 6.8(m) allows for the Nomination and Remuneration Committee to review all Board applications, including review of any supporting material, conducting reference checks, undertaking interviews and making final recommendations to the Representative Council. The Nomination and Remuneration Committee may also provide a recommended ballot list for the Representative Council's approval
- The Nomination and Remuneration Committee Charter allows for CPA Australia to engage professional advisers or consultants to conduct interviews and communications to assist with the functions of the Committee
- The selection criteria for Director positions are reviewed by the Nomination and Remuneration Committee prior to each round of Director appointments to ensure that they are still appropriate and aligned with CPA Australia's corporate plan
- Following recommendations by the Nomination and Remuneration Committee, the selection criteria are approved by the Board
- The assessment of candidates is undertaken using a typical Executive Search process using independent external consultants
- CPA Australia has appointed Pacific Search Partners as the "executive search partner" to assist with the appointment of Directors process
- If an incumbent Director is eligible for a further term and elects to re-apply they must compete against all other applicants and go through exactly the same process as all other applicants. Since the inception of this process there have been incumbent Directors that have applied for further terms but have been unsuccessful in being reappointed to the Board.
- The executive search partner will review all applications against the approved selection criteria
- The executive search partner will create a 'long list' of candidates who best fit the selection criteria and will interview and further assess each of those candidates
- The executive search partner will present a detailed report on each of the candidates on the 'long list' to the Nomination and Remuneration Committee, along with recommendations for further consideration
- The Nomination and Remuneration Committee will discuss the outcomes of the executive search partner's review and will create a 'short list' of candidates for the Nomination and Remuneration Committee to interview and further assess
- The Nomination and Remuneration Committee will consider the outcomes of those interviews and will present a final assessment and recommendations to the Representative Council
- Approximately one week before the election of Directors, Representative Councillors are sent meeting papers, which will include candidate reports and supporting material for candidates who were shortlisted and interviewed by the Nomination and Remuneration Committee
- At the meeting in August, the Representative Council will be presented with the names of all applicants (including those on the shortlist, long list and those who did not meet the selection criteria)
- The candidates on the shortlist will be ranked against the approved selection criteria
- The Chair of the Nomination and Remuneration Committee will present the Nomination and Remuneration Committee's recommendations at the meeting in August, including the candidates recommended for appointment to the Board, and the recommended names for the ballot paper
- The executive search partner will be present at the meeting in August to provide further details of any candidate (including those who were not shortlisted)
- The procedures for the election are set out in Part 6 of the By-Laws, in particular By-Law 6.8

Determining Ballot Paper

- By-Law 6.8(f) provides the structure for the ballot papers to be used and the way in which Representative Council members can vote
- There will be one ballot paper used to elect three Member Directors and one Non-Member Director
- The ballot paper will contain the names of no more than three times the number of positions vacant
- The Nomination and Remuneration Committee will recommend which names should go on the ballot paper
- The Representative Council will approve by resolution the list of names on the ballot paper at the meeting in August

Voting Process

- Representative Councillors must be present either in person or by proxy to participate in the election. They may only give their proxy to another member of the Representative Council
- Once the ballot papers have been approved they will be handed to each member of the Council who will cast their vote by placing a tick next to the names of no more than three member candidates and one non-member candidate
- The Councillors will hand their ballot papers back to the Company Secretary who will act as Returning Officer
- By-Law 6.8(k) states that: "The candidates, in order of highest vote, corresponding to the number of positions to be filled are elected. For example, if there are four vacancies then the first four candidates with the highest votes are elected"
- In the event that two candidates receive the same number of votes, the President of the Board or his or her nominee shall have the casting vote to determine who is elected

CONSTITUTIONAL CHANGES AND APPOINTMENT OF THE CHIEF EXECUTIVE

Significant changes to CPA Australia's governance framework were approved by members at the EGM in December 2006. As the then President, Paul Meiklejohn, said in the Notice of EGM, the organisation's governance arrangements had "stayed virtually the same for fifty years" and there was a need to "change and evolve to match the expectations of our membership, the profession and our stakeholders."

The governance review was conducted by an external consulting firm with significant expertise in governance structures and frameworks. In the lead up to the EGM, the largest roadshow in the history of the organisation was undertaken to communicate the proposed changes. All divisions were visited and multiple member meetings were held.

Part of the changes was a reduction in the size of the Board with a move from 17 to 12 Directors. All Directors, including Alex Malley (who was a Director at the time), were required to re-apply for a position on the Board if they wished to continue as a Director.

The 17-member Board ceased on 30 September 2007 and the newly elected 12-member Board commenced 1 October 2007, of which only six were returned by the Representative Council. In the interests of continuity, to ensure rotation of Directors without effecting a complete replacement, half the Board served an initial term of 18 months expiring on 31 March 2009 and the other half an initial term of 30 months ceasing 31 March 2010.

Mr Malley continued to serve as a Director until 31 March 2009.

Mr Malley was appointed as chief executive following an extensive process using an independent executive search firm where multiple candidates were interviewed and he commenced in the role in October 2009.

At the 2014 Annual General Meeting, members approved a change to Article 44 of the Constitution – Change of Directors terms.

The amendments enabled Directors to serve for three consecutive terms of appointment rather than the previous two of three years each.

The provision of a further term allows CPA Australia to gain the benefit of experienced directors' knowledge of the business and ensures a reasonable time available for knowledge transfer and succession planning.

The rationale behind the transition period was detailed in the Notice of AGM 2014. As was made clear in the explanatory memorandum, the change had the potential to see a small number of directors serving up to eleven years as a one-off occurrence during the initial transition period.

On 30 September this year, R. Petty retires, and on 30 September 2018, G. Wade and K. Ryan retire.

EXECUTIVE AND BOARD REMUNERATION

Board remuneration and chief executive remuneration is in line with the market, based on regular advice obtained from independent remuneration consultants. Additionally, the chief executive remuneration is also recommended by the Nomination and Remuneration Committee and approved by the Board. Similarly, staff remuneration is also regularly benchmarked by external remuneration specialists.

Remuneration includes performance payments based on achieving Board-approved key long-term incentive and short-term incentive performance indicators linked to the company's strategic objectives. CPA Australia employs a broad-banded classification structure and remuneration strategy.

CPA Australia is a company limited by guarantee and as such our key management personnel reporting requirements are governed by the *Corporations Act 2001* Section 300B paragraph 3 and AASB 124 Related Party Disclosure. Together the *Corporations Act 2001* and AASB 124 do not require companies to report remuneration for key management personnel on a banded (individual) basis. They do require that aggregate remuneration be split into five nominated components. CPA Australia has complied with this. AASB 124.17 states that an entity shall disclose key management personnel compensation in total and for each of the following categories:

1. short-term employee benefits
2. post-employment benefits
3. other long-term benefits
4. termination benefits, and
5. share-based benefits

The Chartered Accountants Australia and New Zealand (CAANZ) remuneration of key management personal annual report disclosure is consistent with CPA Australia, as is that of the Australian Institute of Company Directors, Engineers Australia, and the Institute of Public Accountants.

Changes to Article 45 of the Constitution, which deals with Director remuneration, were approved by members at the 2012 AGM.

The amendments, detailed as Special Resolution 2 in the Notice of AGM, changed the remuneration provisions for Directors to remove the need to pay Directors (including the President and Deputy Presidents) a minimum percentage of the Auditor-General of Australia's total salary package, if the minimum exceeded market rates.

Under what is allowed in the Constitution and taking into account the organisation's capacity to pay, neither Directors nor staff are remunerated excessively to the detriment of the organisation. The office-bearers have not received a remuneration increase in three years, and no Director is remunerated at the maximum allowed under the Constitution.

The role of the President and Chairman is multifaceted. In addition to traditional governance requirements, the role includes significant international ambassadorial functions, with commitments to member engagement activity and advocating with international bodies, regulators and governments across our various geographies.

The KMP cost for 2016 includes additional payments made to the Directors of the new CPA Australia Advice subsidiary. The subsidiary has four Directors from the parent, one external Director and four executives from the parent.

DISCLOSURES AND TRANSPARENCY

CPA Australia has considerably increased the amount of disclosures it makes in its external reporting to members and other stakeholders over the last decade or so.

In 2005 our full annual report was 60 pages long, inclusive of financial statements and corporate governance statements. The 2016 report to be published shortly is 108 pages with 64 of those relating to non-financial disclosures and with the corporate governance statements now published online.

From 2008 to 2010 we also published sustainability reports that utilised the Global Reporting Initiative's (GRI) sustainability reporting guidelines alongside our annual report. In 2011 and 2012 we combined our annual and sustainability reports into one publication. In 2013, 2014, 2015 and 2016 we produced an integrated report using

both the International Integrated Reporting Council's (IIRC) Integrated Reporting (<IR>) framework and the Global Reporting Initiative's (GRI) G4 sustainability reporting guidelines.

Every year as part of determining materiality for our annual report, all members are invited to give feedback on their key matters of importance. Our material issues remain consistent and members rate issues such as growing our brand and broadening the audience, access to knowledge and advocating on behalf of members, the profession and the public interest as highly important to them.

Reporting under these guidelines and frameworks requires us to make significant disclosures on our business model, material issues, risks, performance and strategy and to do so in a transparent and balanced manner.

We are the only accounting body in Australia, and one of only a handful in the world, that utilises both these frameworks and as such our disclosures are more extensive than many of our peers. Additionally, we have been having our non-financial information assured by Deloitte since 2008, to ensure the credibility and robustness of the disclosures we make.

In addition to the annual audit of our financial statements, all of the information provided in our annual report has been subject to assurance by Deloitte since 2011. This is part of our commitment to our members that the information in the report correctly reflects the operations of CPA Australia. To the best of our knowledge, we are the only accounting body in Australia to have our non-financial information subjected to assurance.

We have our report benchmarked as an integrated report through the IIRC's review service and also through awards such as the Australasian Reporting Awards where our integrated report has been either a finalist or winner in the <IR> category since we first entered the awards.

Our financial reporting is consistent with the Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards (AAS) include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with AAS ensures that the financial statements and notes of the entity comply with IFRS. Our financial information is audited by Deloitte.

CPA Australia is a leading advocate of sound corporate governance. It is committed to best practice and is a member of the Australian Stock Exchange Corporate Governance Council (ASXCGC) that developed the Corporate Governance Principles and Recommendations (CGPR).

As an unlisted company limited by guarantee, CPA Australia is not required to report against the CGPR. However, CPA Australia uses the CGPR as a guide to best practice, and has implemented these principles as far as they are relevant to it as a member organisation. CPA Australia reports against the CGPR in its corporate governance statement as part of its commitment to preserving stakeholder confidence. We also chose to early adopt the 3rd edition of the principles and recommendations in 2014.

AGM NOTIFICATION

Over the past few years CPA Australia has celebrated over 60 years in Singapore, Malaysia and Hong Kong and we now have more than 37,000 members that reside in Asia. In recognition of these milestones, on 18 January 2017 the Board directed management to set in train the process for our Annual General Meeting to be held and live streamed from Singapore, the home of our first registered office outside of Australia.

Holding our first AGM outside of Australia is both a demonstration of our ongoing commitment to growth in the Asia-Pacific region and an acknowledgment of those members who selflessly worked to establish and grow our presence in the region. In another first, the AGM will be live streamed.

The Board approved the Notice of AGM at its Board meeting on 27 February 2017, with the AGM to take place on 27 April 2017, a timeframe consistent with previous years and in line with requirements under Corporations Law.

The Notice of AGM will be distributed to members in March, again consistent with previous years.

Similarly, the audited annual accounts are approved at the February Board meeting and dispatched to members in March.

We look forward to talking to our 2016 results at the upcoming AGM.

STRATEGIC FOCUS

ROLE OF THE CHIEF EXECUTIVE

Our strategy is about growing our brand and broadening the audience, providing access to knowledge and advocating on behalf of our members, the profession and the public interest.

The activities of our chief executive, and in turn our executive leadership team and staff, are directed by the Board to support the delivery of our strategy.

The strategy is based on member feedback about key matters of importance to them and these have remained consistent over time.

Every year we conduct member research as part of determining materiality for our annual report and members rate issues such as brand and broadening the audience, access to knowledge and advocating on behalf of members, the profession and the public interest as highly important to them.

Our current strategy has been clearly articulated and reported against since 2009.

With a view to sustaining market recognition and brand relevance, the Board made a conscious, strategic decision to focus on building the youth market and securing future talent.

The chief executive was selected not just for his leadership skills but also for his ability to communicate to this vital audience and in the media more broadly. His ability to engage with the youth market through teaching and mentoring resulted in the development of *The Naked CEO* book and website (both of which are products of CPA Australia). The chief executive wrote the book, however CPA Australia owns all the intellectual property and all proceeds are delivered back to CPA Australia.

The Naked CEO book and website and *In Conversation* support our strategy to attract new members, primarily in the youth market. Building personalised brand relevance with young audiences, via platforms they use (social media, television) helps to attract new members, creating a healthy pool of CPAs in the long-term, which can only be a benefit for existing member succession plans and recruitment.

The chief executive has been named on multiple occasions as a Global Top 50 Influencer within the accounting profession and such recognition builds new networks and opportunities for our organisation and its members.

Raising the profile of the organisation has built a platform for unprecedented access to policy makers including ministers, senior government officials and key opposition MPs across jurisdictions. This allows us to actively influence public debate and the development of policies that are in the interests of the public and the profession.

Last year we were a leading voice in the debate on superannuation and retirement savings policy and contributed to the eventual revision of government proposals including the removal of the retrospective elements of the policies.

SUCCESSION PLANNING

At an operational level the succession planning in CPA Australia has never been more robust. The organisation is not single-point dependent on the chief executive. The executive leadership team and management teams below it are exposed broadly to the organisation and are offered many different opportunities to ensure that they can step-up to any challenge that running the organisation may bring, and ultimately step-up to leading the organisation over time.

This approach is consistent with the chief executive's strategy of telling everything you know to everyone you can, so there's a whole suite of people ready to step-up.

GROWTH STRATEGY

CPA Australia has been operating a growth strategy for 130 years. We established our presence in Singapore in 1954 and have been in Malaysia and Hong Kong for 60 years. We now have four offices in greater China, two in Vietnam, and one each in Indonesia, New Zealand and the UK, in addition to offices in every Australian territory or state.

Our growth strategy is working. Since 2009 CPA Australia net membership has increased by more than 31,000 to more than 160,000.

In 2006 less than 25 per cent of our membership resided outside of Australia - in 2016 close to 30 per cent of our members lived outside of Australia, including more than 37,000 members who live and work in Asia.

In 2016 CPA Australia admitted new members from more than 60 different countries and our revenue from outside of Australia was \$47.2m in 2016.

Over the last three years close to 6,000 members have joined CPA Australia who were members of other bodies, with over 2,500 from our closest competitors.

Since 2009 the number of people choosing to join CPA Australia has been close to 50 per cent higher than the number joining in the previous eight years. Once fully qualified, the retention of members has increased from 98.1 per cent to 98.3 per cent over the same period.

We are an international brand - that is part of our appeal. It is what will attract new talent to our designation and it is what gives relevance and currency to our members who already hold the designation.

STRATEGY AND CONSTITUTIONAL OBJECTS

Across our 160,000 members we acknowledge that there are diverse views and that all our activities will not resonate with every member all of the time. In this context our focus is on supporting the broad needs of the membership and there is a clear connection between the delivery of our strategic objectives and the objects of the Company.

The objects of the Company are to promote excellence, enterprise and integrity amongst Members and the financial, accounting and business advisory professions generally, to educate Members with respect to their duties and responsibilities as members of the financial, accounting and business advisory professions, and to prescribe the highest standards of ethics and professional conduct for Members.

Our corporate plan directly supports the objects of the company; details of our corporate plan are available in our annual report every year. At the heart of our corporate plan and our objects is protection of the public interest. We do this by:

- Being a recognised and respected voice in the global business, accounting and leadership space; and
- Ensuring the highest standards for all our members

Key to the objects is the education of our members, we do this through both the CPA Program and providing access to knowledge - these activities under our corporate plan directly support the objects of the company:

- The highest quality CPA Program with flexibility of delivery that meets the changing needs of candidates and their employers
- Being a world class provider of business, accounting and leadership content for our members, potential members and the broader business community

In fulfilling these objects, the constitution also states that the Company will:

Take an interest in legislative, economic and social matters affecting the Company's objects;

CPA Australia and its members influence major issues, policies and regulations that impact the markets in which our members work. We achieve this by investing in our relationships with policymakers, regulators and the wider business community. We also position CPA Australia as a sought-after voice on key issues.

Through our thought-leadership and effective leveraging of the news cycle, we have sustained consistent media coverage on topics of interest and relevance to our membership. In 2016 we had 82 opinion articles published globally on issues of leadership, finance and accounting. Our advocacy involves meeting with government ministers, representing the organisation at an international level, making submissions, releasing policy documents, and giving evidence to committees or participating in industry, government and academic working parties. As a result, our advice is sought on issues relevant to the profession. We engage with our members through our Centres of Excellence, member discussion groups and our consultation and research activities to inform our positions.

Affiliate with organisations with similar objects;

CPA Australia has extensive affiliations with other professional bodies and standard-setters.

We are a supporter and member of many professional standards bodies including the International Federation of Accountants (IFAC), International Ethics Standards Board for Accountants (IESBA) and the Accounting Professional and Ethical Standards Board (APESB) and we play an influential role in helping to set standards for the profession. Full details on these memberships and affiliations can be found in our [annual report](#).

Further information on our agreements with other professional bodies can be found here: <https://www.cpaaustralia.com.au/become-a-cpa/professional-bodies>

Do all such other things incidental or conducive to the attainment of the Company's objects.

The changing nature of the environment for professional bodies means that our ongoing relevance, sustainability and thus the achievement of the objects requires new approaches. As professional bodies consolidate and form strategic alliances, our scope of influence and scale is important to ensure CPA Australia remains relevant in a global environment.

We seek to further the objects of the company by building the relevance of CPA Australia and our members through:

- broadening the audience of those who take an interest in what CPAs do, and what CPA Australia does; and
- Adopting innovative new approaches to take the brand to a wider audience

We do not look to grow purely for growth's sake or to broaden the audience purely for exposure but because our size and influence directly benefits our members by increasing the relevance of their designation in the marketplace and to ensure the sustainability of the organisation into the future. Growth strategies are pursued by the vast majority of our competitors. By not pursuing such a strategy we would ultimately lose the foundation that allows us to deliver services to members.

CPA AUSTRALIA ADVICE

When the Board of CPA Australia made the decision to establish CPA Australia Advice, it did so recognising the magnitude of the task. This is a first for any organisation anywhere in the world.

CPA Australia Advice is about setting a new benchmark for professional and ethical conduct in making independent financial advice available to all Australian consumers.

Regulators from around the world are taking an interest in the progress of CPA Australia Advice as they are interested in the potential of the model as an option in other jurisdictions.

As we worked through the establishment of CPA Australia Advice we worked appropriately with the Australian Securities and Investments Commission and securing our Australian Financial Services (AFS) licence and an Australian Credit Licence (ACL) in April 2016 was an important milestone in the establishment of the business.

We decided on a wholly-owned subsidiary to ensure a consistency of culture. We believe it is critical that CPA Australia Advice has the same culture and professional standards that are the cornerstones of CPA Australia. This includes a fundamental objective to act in the public interest.

To cement that, we have four directors of CPA Australia Advice who are also directors of CPA Australia. The chief executive and two chief operating officers of CPA Australia also hold these roles with CPA Australia Advice. The remuneration framework associated with these roles is consistent with the risk profile of a company holding an AFSL and an ACL.

CPA Australia Advice has been operational since 1 July 2016 and we currently have 19 members authorised under our licence. We also have a solid pipeline of members at various stages of the on-boarding process.

We have always been aware of the challenges of what we are seeking to do and we never said it would be an easy process. However we are confident that the uniqueness of our offering will resonate in the marketplace and will provide our members with valuable options to position themselves in the advice market.

VALUE TO MEMBERS

CPA Australia expends significant funds and resources to deliver services and products to our diverse membership and over the last decade we have considerably expanded our offer to members.

Across our 160,000 members we recognise the diversity that exists in age, gender, location, stage of career and areas of professional interest among so many others.

Of course this diversity means that not all the services CPA Australia offers will appeal to all members, however it is undeniable that members today have access to more services, that provide more value to them, than ever before.

More people are joining, joining from other membership bodies and staying as members than ever before.

We have a network of divisional and branch councils and committees, more than 200 discussion groups across all of our markets and we have four Centres of Excellence. We provide the opportunity for members to engage with the organisation and contribute to the development of our policy positions on issues of relevance to the membership and the future of the profession.

SERVICE

We have greatly enhanced the service we deliver to members through a multi-million dollar technology investment strategy. This includes the introduction of our new CRM in 2013, a new web platform and continued enhancements, a new payment gateway and a new Learning Management System; all integrated with the CRM. Further key investment was made in 2016 in streamlining our membership application system and many of our paper-based forms.

We take more than 170,000 telephone enquiries a year, have more than 4.9 million visits to our website and have invested in significant and extensive training for all our people to be able to deliver world-class member service.

TARGETED COMMUNICATIONS

We provide our members with targeted communication about issues of relevance to the profession through INTHEBLACK, intheblack.com, CPA Update (including local versions in China, Indonesia and Vietnam), Tax News for those with a specialist interest in tax and INPRACTICE for our members in public practice.

ACCESS TO KNOWLEDGE

We provide free access to the latest thinking and industry leaders and experts through podcasts, webinars and LinkedIn Chats.

We provide professional development opportunities across a huge range of subjects and channels to allow members to access knowledge anywhere and anytime. This includes an extensive digital offering through the CPA Australia library resources including e-books 24/7 and access to over 700 newspapers, professional resources on our website, discussion groups, more than 360 digital CPD products, tax updates, recorded webinars, live webinars, short learning courses via our e-learning platform, face-to-face learning and conferences.

We created and launched the Career Guidance System for members to assess their development needs and we provide real time content through multiple social media channels to keep our members up-to date.

We also run low or no cost member networking sessions. In 2016 we ran more than 1100 of these networking events including branch events, networking, information sessions, expos and member celebrations. Over the last three years in particular, we have worked with our volunteer members of branches in Victoria, New South Wales and Queensland to increase the level of face-to-face professional development events available to them.

Our flagship event, CPA Congress, has speakers and workshops of the highest standard and our members are able to access these at discounted rates. In 2016 more than 9300 delegates across 12 locations in six counties attended Congress. Congress ran in a limited number of locations a decade ago, it is now a global offer and is available as a digital product so that members can access the information no matter where they are located.

MEMBER BENEFITS

We have an extensive member benefit program where members are able to gain preferential rates on a range of products and services including financial services, automotive, travel, lifestyle, banking and insurance to name a few.

PUBLIC PRACTICE OFFER

Over the last decade we have greatly enhanced our offer for public practitioners.

We have implemented a Professional Standards scheme recognised under Commonwealth legislation.

We released and reviewed the *Good Practice Guide* and released *Firm of the Future* which projected the face of public practice to 2020 and offered strategies for the challenges ahead.

We launched INPRACTICE to provide practitioner specific information and have expanded the public practice toolkit.

For our members in New Zealand we also gained accreditation from the Financial Markets Authority in New Zealand so that members were able to perform statutory audits.

We do understand that our members in Public Practice are experiencing significant reforms and we have continued to advocate strongly in these areas. We know that the removal of the accountants' exemption on 1 July 2016 was a challenge for many members. As a profession we fought long and hard on this issue over many years. After significant advocacy we ultimately achieved a three year extension from the Australian Government. When the decision to repeal the exemption was made, it became important to focus on supporting our members through the three-year transition period.

Support put in place for practitioners for the reforms included a pathway for members wishing to obtain a Limited AFS licence, a new SMSF specialisation, a range of educational material and the launch of CPA Australia Advice.

We also worked extensively with the APESB to find a workable solution around the implementation of APES 230 that balanced member needs and the public interest.

MEMBER FACILITIES

We now have 22 offices in 10 countries. Over the last decade we opened two offices in Vietnam, two new offices in China, and an office in Indonesia. We also refurbished all of our other member facilities in this time.

ADVOCACY AND THOUGHT LEADERSHIP

We have advocated and lobbied extensively on matters of interest to our members and in support of the public interest. This has included work on holistic tax reform in Australia through two landmark studies modelling the economic impacts of various reform scenarios and submissions to both the Henry Tax Review and the Tax Reform White Paper, influencing Superannuation reform, consultations for the Cooper Review and the Future of Financial Advice Reforms, submissions in support of the Research and Development tax incentive, public commentary on the topic and our involvement in the Cutler Review on innovation.

We also influenced improvements to tax administration and policy through representing members at regular consultations with the ATO and Treasury and financial reporting through submissions to local and international standard setters and public commentary on issues of importance to companies, NFPs and governments.

In 2012 we had three opinion articles published; in 2015 this had grown to 56 opinion articles in 5 countries and by 2016, 82 opinion articles in 6 countries.

CPA PROGRAM

We continue the significant investment in enhancing and developing the CPA Program. This has included the development of new subjects (including international business and financial planning), a full revision of the CPA Program and entry pathways that introduced the foundation level exams and broadened our membership pathways to provide greater access for talented people to become a CPA. We have continued to enhance the flexibility of the program including open exam windows for the foundation level and the implementation of computer-based testing

with 94 per cent of exams now being digital. We also entered into long-term strategic partnerships for the future of the CPA Program and have begun the digitisation of the CPA Program to enhance learning support for candidates.

MEMBER EMPLOYABILITY

We launched the Recognised Employer Program which is a demonstration of an employer's commitment to their employees. A Recognised Employer ensures that its professional development framework helps staff excel in their roles, and supports the organisation achieving its financial and strategic goals. New Recognised Employers for 2016 included the Commonwealth Department of the Treasury, Crowe Horwath New Zealand, Marsh & McLennan, RMIT and PWC Cambodia and there are now over 460 Recognised Employers globally.

Members working for a Recognised Employer have access to quality training that meets their CPD obligations. A full list of our partners can be found at cpaustralia.com.au/rep.

MEMBER MOBILITY

We have continued to strengthen our links to other professional bodies to ensure our members are able to work in multiple jurisdictions. This has included signing or renewing strategic agreements with more than 15 professional accounting bodies in locations as diverse as Canada, the UK, Ireland and India.

As shown above, there have never been more opportunities for members to engage with services provided by CPA Australia. Of course not all the services available will be relevant to all members, but there is no doubt that every member has the opportunity to gain far more value from these services every year than they pay in their membership fee – ultimately it is up to each member as to how much they wish to engage with their professional body.

FISCAL RESPONSIBILITY AND MARKETING SPEND

Our strategy is about growing our brand and broadening the audience, providing access to knowledge and advocating on behalf of members, the profession and the public interest.

CPA Australia maintains a clear commercial focus in all of its activities. Turnover is \$44.5m higher than it was in 2009 and by any measure the financial stewardship of CPA Australia can only be considered in a positive light.

Fundamental to any successful business is its ability to generate surpluses over time to ensure it can remain viable into the future. Since 2009 the organisation has delivered combined surpluses of \$58.5m compared to \$32.2m delivered in all the preceding 122 years.

The tight fiscal management of the organisation sees us in a strong financial position that now allows us to invest in long-term strategic initiatives such as CPA Australia Advice.

It would be worth members comparing our closest competitor as they will find we stand up very well with a more than favourable result in comparison.

In meeting the Board's expectations for profile and presence, CPA Australia's visibility is undeniable, yet our investment in marketing, promotion and publications as a percentage of turnover remains consistent with more than a decade ago.

- In 2016, our expenditure on marketing, promotion and publications was 16 per cent of turnover.
- In 2006, our expenditure on marketing, promotion and publications was 17 per cent of turnover.

More than one hundred different types of expenditure are included in the marketing, promotion and publications category.

This line item includes:

- Acquisition campaigns and related activities
- Business development activities
- INTHEBLACK magazine and member communication channels

- Policy development and advocacy
- CPA member library costs
- Marketing of CPD and other member events
- Other print and postage
- Outbound sponsorship
- *In Conversation*
- *TheNakedCEO*
- Staff costs associated with brand, marketing and related activities
- Research grants
- And much more

As a percentage of total marketing, promotion and publication expenditure the following items represent the majority of our spend:

- INTHEBLACK and other member communication channels - more than 20 per cent
- Marketing of CPD and other member events - more than 14 per cent
- Marketing and advocacy staff costs - 14 per cent
- External advertising for all products across print, outdoor, digital and TVC media - just over 25 per cent

CPA Australia's television program *In Conversation* and *The Naked CEO* book and website are products of the organisation that the chief executive is directed to perform to support the strategy. These are key parts of the strategy, but combined these activities account for only six percent of total marketing, promotion and publications expenditure.

Through this investment we have achieved a cumulative audience of more than 4 million in 2016 for *In Conversation*, while *thenakedceo.com* website has achieved more than 5.4 million hits since inception, including 1.3 million hits in 2016. There have been more than 310,000 video plays since launch and more than 1500 "Ask Alex" questions, where the chief executive personally responds to questions asked.

The Naked CEO book has been distributed to 38 countries, with a dozen reprints and achieving the position of the bestselling business management techniques book in Australia for the last three years. The book has been translated into Thai, with Chinese and Vietnamese translations completed in 2016 and Bahasa and Turkish translations scheduled for completion in 2017.

AUSTRALIAN OPEN SPONSORSHIP

CPA Australia operates in a competitive market. We are seeking to attract people to the designation and we are seeking to reinforce the value of the designation. CPA Australia's strategic sports sponsorships are delivered in support of key acquisition periods and are focussed on growing the brand in our target markets.

Our investment in the sponsorship of the Australian Open (AO) aligns to our stated long-term strategy to broaden the audience of those who take an interest in what CPAs do, and what CPA Australia does.

Our sponsorship of the Australian Open strategically aligns with our continued growth plans, particularly for China. China and its associated territories have been, and remain, a key target market for us and we now have close to 18,000 members in the greater China region.

Our relationship with the Australian Open gives us global exposure. In 2016, the Australian Open delivered more than 676 million viewing hours across 200 countries as well as a record attendance of over 720,000 people. CPA Australia digital campaigns were displayed on ausopen.com, for users in Australia, Hong Kong and China. There were 15 million unique users on ausopen.com and nearly one million users on smart phones. Branded content 'Shot of the Day, presented by CPA Australia' was distributed via Australian Open and CPA Australia social media channels including Facebook, Instagram, Twitter, WeChat and Weibo, and there were more than three million views through the two weeks on Facebook.

CPA Australia's total brand exposure was 46 seconds per hour and a total of 126 minutes (across Australian Open World Feed). Investment in the Australian Open is commercial-in-confidence and under our contract we are precluded from disclosing our investment. CPA Australia has received an estimated total value of many multiples of that investment as validated by external agencies. CPA Australia's focus with the Australian Open sponsorship is about audience reach in our target markets. As part of our sponsorship, CPA Australia deliberately excludes an extensive hospitality package in favour of naming rights to the Australian Open Asia-Pacific Wildcard Playoff.

Highlights from the 2017 Australian Open partnership include:

- The 2017 Australian Open had record attendances of 728,000 people visiting Melbourne Park. The live broadcast aired on more than 65 television channels, reaching 220 countries and 900 million homes each day. In Australia alone, the Women's final boasted an audience of 2.42 million viewers, and the Men's final 2.2 million viewers.
- For the first time, CPA Australia launched a social media and digital campaign in China with tailored content distributed via ausopen.com, SINA sports website, CPA Australia Weibo and WeChat. Weibo paid advertisements alone reached 1.65m exposures and generated over 500 new followers in the first week of the Open.
- In Melbourne, CPA Australia hosted its first Recognised Employer Partners (REPs) engagement event. Over 50 VIP guests enjoyed an inspiring evening with Dylan Alcott, dual Rio 2016 Paralympic Gold Medallist and the world number one ranked wheelchair tennis champion, followed by a night at the tennis. Very positive feedback was received from our valued REPs relating to the event.
- Members received access to pre-sale tickets at a discounted rate and member engagement with our AO VIP Experience offer more than quadrupled, with over 10,000 entries.

SPONSORSHIP OF THE NBL

As disclosed in Note 18 of our soon to be released annual report, during 2016 CPA Australia entered into a commercial arm's length sponsorship of the National Basketball League valued at \$756,000 covering Australia, China, New Zealand and other selected countries including India and the Philippines.

Graeme Wade, Director of CPA Australia is also a Director of NBL Pty Ltd. When an opportunity to explore a sponsorship with the NBL arose, it was assessed and negotiated by management purely in terms of its alignment to CPA Australia's strategic objectives and on commercial grounds. Given Mr Wade's role, all appropriate conflict declaration and mitigations are in place.

SOCIAL MEDIA AND ACCESS TO WEBSITE

CPA Australia was one of the first professional bodies to embrace social media. We encourage appropriate conversation and debate but we have guidelines around its use.

CPA Australia provides multiple channels, including social media channels, for members and others to provide feedback and discuss matters of importance to them.

Like most organisations, we have a social media policy in place and we do not allow for posts promoting political agendas, personal attacks or the spreading of incorrect information.

The information about members on our website is available for professional usage. If this information is used incorrectly such as to build email distribution lists then we will take appropriate action.

Unlike our competitors, every email that leaves our organisation has a feedback mechanism for providing direct feedback via ceo@cpaaustralia.com.au.

RESPONDING TO MEDIA

Over the past two years, our chief executive has been the subject of multiple personal attacks by the “Rear Window” gossip columnist at the *Australian Financial Review* (AFR).

The sustained campaign began on 25 March 2015.

On this day, Joe Aston used his Rear Window column in the AFR to report that the Nine Network and Fairfax Media (publisher of the AFR) had “shelved” the joint venture TV program *Financial Review Sunday*, which was sponsored by CPA Australia and others. Joe Aston was a feature presenter on this program.

He noted that “the program struggled to be commercially viable” and made disparaging remarks about CPA Australia’s level of sponsorship.

Other news reports on 25 March 2015 noted that CPA Australia was a launch sponsor of *Financial Review Sunday*, and quoted AFR editor-in-chief Michael Stutchbury blaming “advertising support as not sufficient to keep the show on air.”

This columnist never mentioned CPA Australia in a negative context during the two-year run of his CPA Australia-supported television program. In fact, during the period his show was on-air, he approached our chief executive for work at CPA Australia.

Since *Financial Review Sunday* was “shelved” the columnist has written more than 30 articles across print and online, with many being tweeted and retweeted by AFR journalists and the paper itself, disparaging CPA Australia, our chief executive and, by extension, all CPA Australia members.

In February 2016, CPA Australia’s television program took over the 10am Sunday timeslot that had previously been occupied by *Financial Review Sunday*.

During this month, from 2 – 9 February 2016, the columnist published six articles focussed on CPA Australia and our chief executive.

The articles then, as now, contained incorrect and misleading assertions, factual inaccuracies and maligned CPAs, the chief executive personally and the Board. It is significant that Mr Aston’s attacks only commenced after *Financial Review Sunday* was “shelved”.

Even at the most basic level, a journalist should endeavour to check their facts and remain objective. Full details of CPA Australia’s governance arrangements, including changes to director terms in the constitution that have been voted on by the membership, and CPA Australia’s business operations more broadly, are publicly available and transparently reported in our Notices of Annual General Meeting and annual reports. That the columnist seems not to have sought this publicly available information would suggest he is not operating in an objective manner.

In this context, and notwithstanding continuing assaults on CPAs and CPA Australia’s operations, we have deliberately chosen not to engage with this columnist, up to this point.

CPA Australia is in possession of the recording of an apology in relation to the columnist’s published material from senior Fairfax editorial executive Sean Aylmer.

We are now in the process of obtaining advice from experienced media lawyer Mark O’Brien as to our rights and remedies against Mr Aston.

We look forward to outlining same at our upcoming Annual General Meeting, which will be livestreamed to members around the world and available to the general community.