

cameron. ralph. khoury

**Standards Australia**

**Company Governance Review**

**Consultation Paper**

**June 2020**

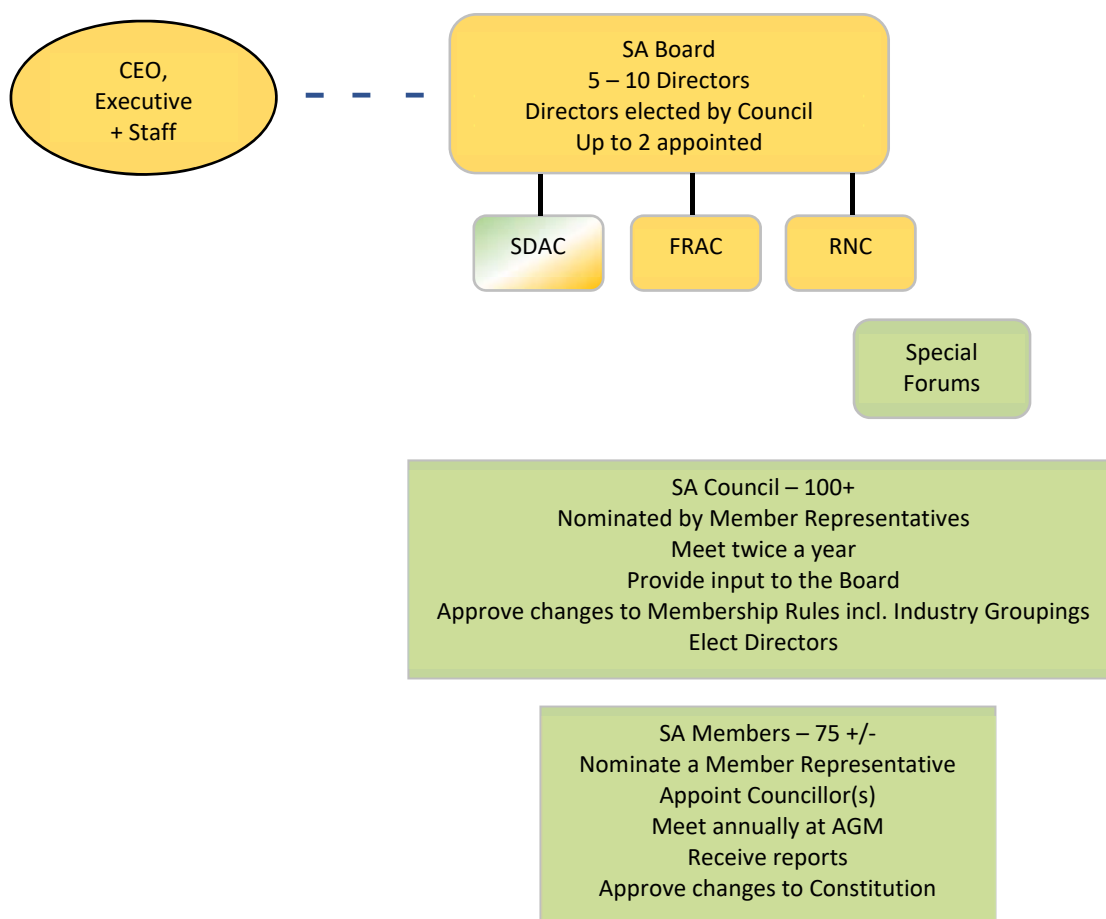
## 1. Introduction

- a) Standards Australia is the country's leading, independent, non-government, not for profit standards organisation and will celebrate its centenary in 2022. It represents Australia in the International Organization for Standardization and the International Electrotechnical Commission.
- b) Over the last three years Standards Australia has undertaken reviews of its technical and accreditation governance, leading to improvement in its operations in those areas. The Board has now embarked on a review of the company's Constitution and Membership Rules with the intention of having an up to date, fit for purpose governance framework for its next century.
- c) Standards Australia has appointed an external firm, cameron. ralph. khoury ("CRK"), to assist with this Review. CRK also worked on the reviews of technical and accreditation governance.
- d) Initial work on this Review began some months ago, consulting with a cross-section of stakeholders. COVID-19 has interrupted progress, however the Board's Task Group has continued work in the background and the Board remains committed to putting any recommendations for reform to the 2020 Annual General Meeting to be held on 20 November 2020.
- e) This Consultation Paper invites further stakeholder input to the Review. We are conscious of the circumstances many may find themselves in due to COVID-19 restrictions, so any input you are able to provide will be much appreciated and we fully understand that it may be brief and informal. Comments should be sent to [sa\\_cgr@crkhoury.com](mailto:sa_cgr@crkhoury.com) by 17 July 2020. If you have any queries, please contact Phil Khoury of CRK on +61 3 9421 3111.

## 2. Current membership and governance arrangements

Standards Australia is a public company limited by guarantee. It operates under a Constitution, Membership Rules and Ballot By-Laws – all available on the website. There are many detailed requirements within these documents, so for those unfamiliar with them, we have set out a summarised description of key provisions and current practices at Attachment A.

The governance and membership structure is not, on the surface at least, unusual for a public-purpose multi-stakeholder organisation. There is a Board responsible for the overall governance, stakeholder representatives that provide input, election of the Board and a membership body that makes up the company for Corporations Law purposes. The diagram below provides a brief outline of the current structure – including “Special Forums” which are Chairman’s Advisory Groups and Nominating Organisation forums (included because they are not formal governance bodies – but can be seen as performing a function that might otherwise be done within the formal structures).



Below, we discuss a few of the unusual aspects of the framework and summarise issues raised with us so far by stakeholders and the Board.

## 2.1 Stakeholders

- a) While it can be argued that most of the Australian community are indirect stakeholders of Standards Australia, the most direct stakeholders are those that participate in the development of standards (some two thousand nominating organisations), experts who contribute their knowledge to standards development, regulators and industry that rely on developed standards, the customers who purchase standards in order to run their businesses or do their jobs and consumers whose choices in the marketplace are heavily influenced by Australian Standards.
- b) Some of these stakeholders are represented in the formal structures of Members and Councillors, however many are not and many more would be willing to participate given the opportunity.

## 2.2 Standards Australia's Members

- a) Eligibility for membership of Standards Australia is complex, with limitations embedded in the Constitution and Membership Rules as to the numbers and categories of organisations that can be admitted as Members.
- b) Industry members must be nominated from approved industry groupings which the Council can vary from time to time. Their eligibility can also be a function of how many representatives an organisation puts forward to participate on standards development committees. Alternatively, there are also some arguably subjective criteria that take into account the ability of an organisation to substantially influence standardisation in Australia or to benefit Standards Australia in a political, industrial or community context in its industry grouping.
- c) When an organisation applies to be a Member, Standards Australia's Council is asked to accept the Board's recommendation that it is admitted as a Member.
- d) A number of issues were raised with us about the current membership framework. These included:
  - Restrictive membership sending a poor message for an organisation that is meant to be inclusive
  - Exclusion of worthy potential members because of the restrictive rules
  - Difficulty of assessing and maintaining eligibility over time (many current Members would not qualify if applying today)
  - Potential conflicts of interest because Council can choose to exclude applicants for membership – potentially for reasons of self-interest
  - Lack of clarity about what the Members are meant to contribute
  - Ineffectual members meetings, insufficiently distinguished from Council or other stakeholder meetings
  - Lack of relevance driving poor participation and attendance by some members

- Lack of relevance driving excessive delegation away from senior representatives of member organisations
- Nevertheless, many stakeholder organisations told us that membership was valuable to them

## 2.3 Standards Australia's Council

- a) Standards Australia's Council comprises Councillors appointed by the Members and up to fifteen honorary (non-voting) Councillors appointed by the Council.
- b) Membership of Council is complicated by the unusual method of allocating multiple Council positions to some Members – as a way of weighting their influence. For example, an industry association with high contribution to standards development committees may be granted two or more Council positions. Governments are also entitled to nominate multiple Councillors.
- c) In practical terms this results in a Council that is oddly, currently about 30% larger than the membership it represents.
- d) Issues raised with us about Council included:
  - Lack of clarity about its role and purpose (other than electing Directors to the Board)
  - While Council meetings are appreciated for the information provided, they are seen as very one-way and at times ineffectual, insufficiently distinguished from Membership or other stakeholder meetings
  - Very long-standing Councillors resulting in a lack of appropriate renewal
  - Lack of relevance driving poor participation and attendances by some Councillors
  - Nevertheless, a number of stakeholder organisations told us that being part of Council was valuable to them

## 2.4 Standards Australia's Board

- a) The Board is responsible for strategy and oversight of the business and is somewhat conventionally comprised of between five and ten Directors. A majority must be elected by the Council, with up to two Directors able to be appointed by the Board.
- b) The Board has three standing committees - the Finance, Risk and Audit Committee, the Remuneration and Nominations Committee and the Standards Development and Accreditation Committee (SDAC). The Board also forms special Task Groups to perform specific projects.
- c) Issues raised with us about the Board included:
  - Low visibility to most stakeholders of how the Board operates
  - Importance that Board includes diverse skills, knowledge and experience – and value of Board appointments to fill skills gaps

- Importance of achieving a balance between continuity and refreshment

## 2.5 SDAC

- a) The SDAC responsibilities include approving Standards Australia's Standardisation Guides, overseeing accreditation of standards development organisations and reviewing their annual audit findings, overseeing standardisation project selection and arbitrating standardisation process issues. It is an unusual body, although a Board Committee, membership is only required to include one Director. Non-Board members are appointed by the Board to represent and act in the best interests of Standards Australia and to include those with appropriate skills.
- b) Issues raised with us about the SDAC included:
  - Low stakeholder visibility or understanding of SDAC's role and operations
  - The rationale for the selection of SDAC members who are not on the Board is something of a mystery

### 3. Governance framework issues

- a) The Board has created a Company Governance Review Task Group chaired by Director Nick Koukoulas to oversee the process of the Review and to provide advice to the Board.
- b) This Review aims for alignment with Standards Australia's long-term strategic goals (<https://www.standards.org.au/about/governance/strategic-plan> )
- c) In early discussions, the Task Group has identified a series of governance issues they are keen for the Review to address. These include that the governance framework:
  - works to encourage inclusion, diversity and broad participation in Standards Australia
  - supports stakeholder advice and input to Standards Australia
  - supports the primacy of Standards Australia's public purpose
  - encourages continuous generational refreshment of participants in Standards Australia activity
  - has forums that are efficient, add value and are satisfying for participants
  - ensures the appropriate composition of the Board
  - provides mechanism(s) for the Board to be accountable to stakeholders.
- d) Specific problem areas or opportunities for improvement that have been raised in initial consultation on behalf of the Task Group include:
  - Pressure from organisations unable to join Standards Australia in accordance with the current rules
  - Ambiguity as to industry association membership criteria – particularly Criterion B (significance of the industry association)
  - Organisations that are currently members that may no longer meet the membership criteria
  - Poorly understood distinction between the purpose of the Council and the role of Councillors and the purpose of membership and the role of Member Representatives
  - Industry association members may not be eligible to appoint one (or more) Councillors if they were to be reassessed on the basis of current-day contribution or significance
  - The Council and Member forums do not provide an adequate two-way consultative mechanism and may replicate other Standards Australia initiatives such as Nominating Organisation Forums
  - Little understanding of the relationship and difference between the technical governance of standards development and the governance of the company

## 4. Questions

We are interested in stakeholders' views as to how well Standards Australia's stakeholder representation and governance arrangements fit modern day Australia and what changes and improvements you would be open to.

*Note: For clarity and focus, this Review is not examining the processes for developing and maintaining Australian Standards, which were reviewed during 2018 and resulted in a range of ongoing Standards Australia projects to strengthen standards and technical committee processes.*

Feedback on any of the foregoing sections is welcome, including anything missed. In addition, the Board Task Group have developed some ideas for testing, set out below. For each proposition, please let us know whether you agree, if you would amend or if you have alternate ideas.

### 4.1 Type of organisation

- a) The Task Group has observed that some of the issues raised go to the fundamental question of the type of organisation that Standards Australia is. Unlike many of its own members – Standards Australia is not strictly a member organisation – dedicated only to the benefit of its members. Some tensions may be due to the misapplication of these membership concepts.
- b) Drawing from some of the literature and other organisations, the Task Group thinks it is clearer to think of Standards Australia as multistakeholder, public purpose organisation. The key elements of multistakeholder governance are:
  - the meaningful involvement of all stakeholders
  - consensus-based decision-making
  - operating in an open, transparent and accountable manner

### 4.2 Objectives of involving stakeholders in governance

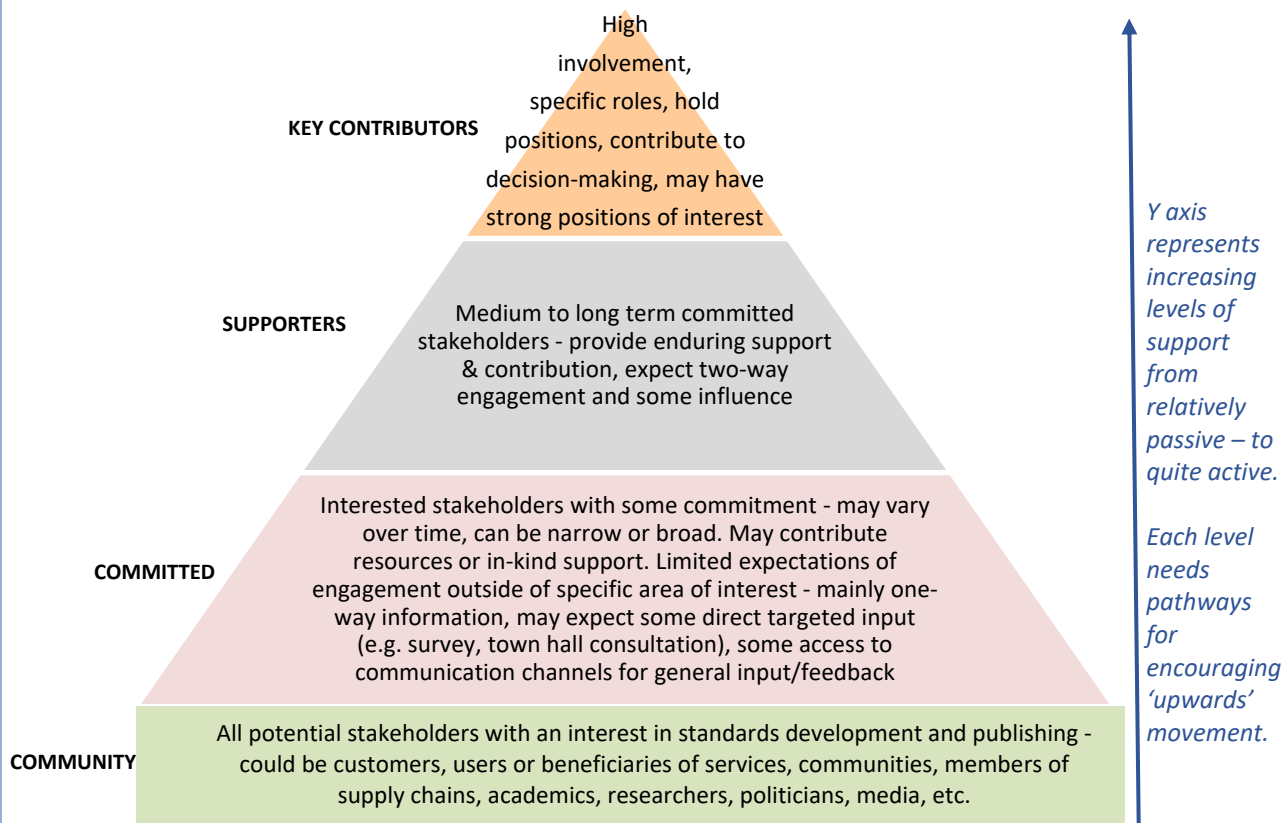
In this organisation, a key design issue is how to structure engagement with stakeholders who contribute enormously to Standards Australia. To help think through the issues, the Task Group adopted a simple set of objectives for governance commonly used in public purpose organisations – and proposed a few of the key contributions that participating stakeholders (other than the Board) would bring to those objectives (see below).



Governance aims	Stakeholders' key contribution
1. Set strategy / meet community needs	<ul style="list-style-type: none"> <li>High-level stakeholder insights and feedback</li> </ul>
2. Effectiveness / efficiency / service delivery	<ul style="list-style-type: none"> <li>Provide standards development contributors</li> <li>Engage with standards development processes</li> </ul>
3. Ethical, legally compliant	<ul style="list-style-type: none"> <li>Oversight / assure public interest</li> </ul>
4. Sustainable, enduring organisation	<ul style="list-style-type: none"> <li>Engagement, input</li> <li>Promote standards</li> <li>Commitment</li> </ul>
5. Legitimacy / accountability	<ul style="list-style-type: none"> <li>Appoint / elect Board</li> <li>Monitor effectiveness</li> </ul>

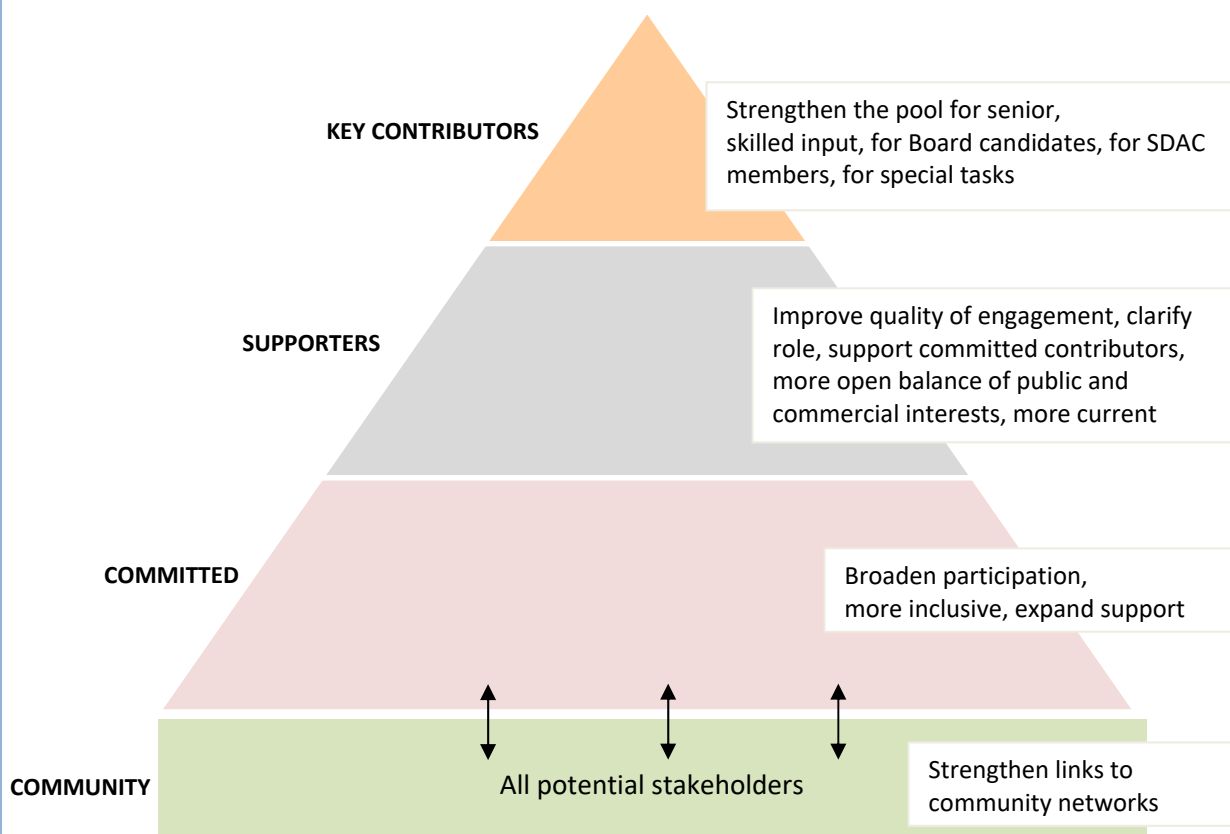
### 4.3 Stakeholder model

To avoid thinking solely through the lens of existing structures and labels, the Task Group adopted the conceptual model below as a way of thinking about different levels of stakeholder interest and engagement with Standards Australia.



## 4.4 Where to strengthen

Applying the feedback received to date, the Task Group thought the key areas for strengthening engagement with stakeholders could be:



## 4.5 Ideas for consideration

The Task Group has begun thinking about some ideas that may deliver on the imperatives for improvement. They are seeking initial reactions, conditions for support (e.g. “we would be open to this, if . . .”) and of course, other ideas to be considered.

## 4.6 Supporters and Community

- a) Make Supporter level much more inclusive (e.g. without the stringent barriers to entry that Standards Australia members currently have to meet)?
- b) Aim to include:
  - More nominating organisations?
  - Companies who contribute to standards development?
  - Individuals (e.g. experts or others who have been active in standards committees)?

- c) Possible significant annual conference to bring together supporter base and build engagement and support?
- d) Supporters could constitute the members of Standards Australia for the purposes of company law – or could have a different, less formal status without voting rights etc.?

#### 4.7 Committed supporters

- a) Role would be to provide input to the Board and executive on priorities and other matters as requested by the Board and to elect Board Directors.
- b) Would a smaller body than the current Council (e.g. body of fifty/sixty) be a more manageable size and promote more focus and better two-way dialogue with Board?
- c) Should a higher proportion of positions be reserved for public interest (i.e. Government, community, academic/expert) than current Council?
- d) Industry positions based on revamped criteria, interested industry associations to put forward nominees, Board nominations committee to recommend to the Board individuals for appointment?
- e) Three-year terms for the appointed representative with maximum tenure of (say) twelve years?
- f) One vote per member?
- g) If the Supporter base is not constituted as the company law members of Standards Australia, an alternative would be for this body to constitute the members of Standards Australia?

#### 4.8 Key contributors

- a) Should there be more skills-based Board appointed Directors than under Standards Australia's current Constitution, -e.g. 50% appointed and 50% elected?
- b) Should there be more clarity and transparency in relation to the SDAC role and appointment process?
- c) Should high level ad-hoc advisory groups continue in operation – e.g. Chairman's Advisory Group?

#### 4.9 Other questions

- a) Do you have any suggestions for how to improve the way the current system works in Standards Australia's relationships with other organisations (e.g. Government, other standards bodies, regulators, industry, consumers, etc.)?
- b) Overall, which aspects/qualities of the current governance system are important to retain in any re-design?

## Attachment A - Current membership and governance arrangements

Standards Australia is a public company limited by guarantee. It operates under a Constitution, Membership Rules and Ballot By-Laws – all available on the website. There are many detailed requirements within these documents, so for those unfamiliar with them, we have set out a brief description of certain key provisions below as well as how they are applied in practice. This summary is not intended to replace Standards Australia’s governance documents, which should be relied on as the authoritative source of such information.

### Standards Australia’s Members

- a) Eligibility for membership of Standards Australia is complex with limitations to the numbers and categories of organisations whose nominees can be admitted limited to fewer than one hundred ten (currently around seventy-five), consisting of nominees of types of organisations as specified in the Constitution or as approved by Council from time to time.
- b) The Constitution sets out eight types of organisations that can become members of Standards Australia. These are:
  - Departments and other bodies nominated by the Australian Government (limit of ten)
  - Bodies nominated by State or Territory Governments involved in the application and implementation of standards (limit of two)
  - Up to eighty Bodies to represent industry from the groupings determined by Standard Australia’s Council
  - Bodies to represent small business (limit of five)
  - Bodies to represent consumers (limit of five)
  - Research and education bodies (limit of five but none currently)
  - Special interest or skill bodies (limit of fifteen)
  - Bodies to represent Australia’s standards and conformance technical infrastructure (limit of fifteen).
- c) Currently Standards Australia has seventy-five Members i.e. four Government Members, fifty-two industry associations, one small business organisation, one consumer organisation, nine special interest and skill bodies and two standards and conformance technical infrastructure bodies.
- d) The Constitution and Membership Rules regulate the bodies that can be Members.

- e) An industry association body must belong to a Council approved industry grouping. The Council can add, vary or delete a grouping or the numbers from each grouping to qualify as a Member. Currently there are twelve approved groupings, these are:
- Agriculture, Forestry, Fishing and Food
  - Building and Construction
  - Consumer Products, Services and Safety
  - Manufacturing and Processing
  - Public Safety and Administration, Business and Management
  - Communications, IT and e-Commerce
  - Electrotechnology and Energy
  - Health and Community Services
  - Mining
  - Transport and Logistics
  - Education and Training Services
  - Water and Wastewater Services
- f) In addition, an organisation must meet either of two eligibility criteria prescribed by the Council. Criterion A is met by having at least twenty representatives on Standards Australia's technical committees during any year in the preceding three years. Criterion B is the significance of the industry association as shown by any one of these three possibilities:
- the organisation covers a wide range of technical committee representatives nominated by other Standards Australia Members
  - the organisation is in a position to substantially influence standardisation in Australia in its industry grouping; or
  - the organisation has the capacity to benefit Standards Australia in a political, industrial or community context in its industry grouping.
- g) Where an organisation applies to be a Member, Standards Australia's Council is asked to accept the Board's recommendation that it is admitted as a Member.

### **Membership representation**

- a) Each Member is required to nominate a Member Representative to be the primary point of contact for issues relating to membership. Often this is the Member's Chief Executive Officer.
- b) Member Representatives attend the Standards Australia annual general meeting and any extraordinary Members' meetings. Each Member has one vote on any resolution put to the meeting.

- c) Membership ceases on resignation, dissolution, if the membership eligibility criteria is no longer met or if the Members or the Council so resolves.

## Standards Australia's Council

- a) Standards Australia's Council comprises Councillors appointed by Members and up to fifteen honorary (non-voting) Councillors appointed by the Council.
- b) The Membership Rules set out Members' entitlement to appoint Standards Australia Councillors.

### Councillors

- a) The Australian Government is currently entitled to appoint ten Councillors. Each State and Territory Government is currently entitled to appoint up to two Councillors.
- b) Members appointed for their special interests and skill and Standards and Technical Conformance Members are able to appoint one Councillor
- c) The Council's responsibilities include monitoring Standards Australia's membership and monitoring the Board. Typically, a Council meeting is attended by about half of the Councillors.
- d) A Member that meets Criterion A is able to appoint only one Councillor unless represented on more than one hundred fifty Standards Australia technical committees. A Member who meets Criterion B may be able to appoint more than one Councillor if allocated according to their significance in the industry. Currently if Criterion A was applied by Standards Australia, many Members would not be entitled to appoint any Councillors. Today seven industry associations appoint more than one Councillor, with one industry association able to appoint six Councillors.
- e) Members currently have the power to appoint Councillors and the Board has the power to appoint Honorary Councillors. There are three at this point in time. The total number of Councillors representing Members at any given time varies depending on changes within the Member organisation.
- f) During each third anniversary from the date of incorporation (1 July 1999) Members are asked to reconfirm the appointment of their Councillor representative(s) or appoint a new Councillor to represent their interests. Councillors automatically cease to be a Councillor on resignation, death, insolvency, the Member terminating their appointment or the appointing Member ceasing their membership.

### Current Council

- a) Standards Australia's Council must meet at least once per year. Recent practice is to have an in-person Council meeting at the time of the annual general meeting of Members and a mid-year Council meeting in May each year.

- b) When required, the Board schedules Chairman’s Advisory Group Meetings in Melbourne, Sydney and Canberra, or via remote meeting technology, to supplement the formal structures discussed above.
- c) In most cases the appointed Councillors are also the Member Representative (and so attend and are eligible to vote at both Member and Council meetings). Some Members who are eligible to appoint one Councillor nominate a different Councillor representative (and therefore have different representatives eligible to vote at Member meetings and Council meetings).

## Standards Australia’s Board

- a) The Constitution permits the Board to be comprised of between five and ten Directors. A majority must be elected by the Council, with up to two Directors able to be appointed by the Board.
- b) The Ballot By-Laws set out the election procedures. An elected Director has a three-year term, is able to be re-elected twice and then must undertake a period of mandatory absence from the Board.
- c) Currently there are seven Directors, six elected by the Council and one appointed by the Board.
- d) The Board typically meets four times per year and is responsible for strategy and oversight of the business.
- e) The Board has three standing committees - the Finance, Risk and Audit Committee, the Remuneration and Nominations Committee and the Standards Development and Accreditation Committee (SDAC). The Board also forms special Task Groups to perform specific tasks. The Board Corporate Governance Review Task Group, which is responsible for oversight of this Review, is an example of one of these special purpose Task Groups.
- f) SDAC’s responsibilities include approving Standards Australia’s Standardisation Guides, overseeing accreditation of standards development organisations and reviewing their annual audit findings, overseeing SA standardisation project selection and arbitrating standardisation process issues.

Although a committee of the Board, SDAC’s membership is only required to include one Director. Its other members are appointed by the Board to represent and act in the best interests of Standards Australia and to include those with appropriate skills. There must also be a Commonwealth representative as an ex officio SDAC member. Currently there are two Directors (including the Chair of the Committee), the Commonwealth ex-officio member and five other non-Board members on SDAC.