

Proposed changes to the ACFID Code of Conduct and Quality Assurance Framework – March 2023

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1. Introduction

ACFID Code of Conduct Review 2022-23

The ACFID Code of Conduct is owned by ACFID members, and its purpose reflects their commitment to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing their transparency, accountability and effectiveness.

The Code is periodically reviewed to ensure it continues to reflect good practice and the needs of ACFID and its members. In June 2022, ACFID initiated the current review of the Code. The [2022-23 Review](#) will consider whether the Code and the associated Quality Assurance Framework remain relevant, coherent, useful and credible to members and external stakeholders.

Phase 1 – Consultation: August – December 2022

As part of the consultation phase, feedback was sought from ACFID members, the ACFID Board, Code of Conduct Committee and external stakeholders, through a series of workshops and an online survey. The consultations were guided by a [Discussion Paper](#) which outlined a series of key questions, designed to gather a wide range of information and input. The findings from the consultation phase and a desk review of key documents are [outlined in a final report](#). This report also outlines seven recommendations for changes to the ACFID Code and Quality Assurance Framework.

Phase 2 – Drafting: January – June 2023

These recommendations are now being used to inform the next stage of the Review which will focus on drafting changes to the ACFID Code of Conduct and its associated [Quality Assurance Framework](#). The drafting will be done in close consultation with members and other key stakeholders. It is being sequenced into several stages to manage dependencies:

1. Thematic area changes (Recommendations 4-7)
 - Climate change
 - Locally-led development/humanitarian action
 - Anti-racism, racial justice and diversity
2. Alignment with other standards and simplification (Recommendations 1-2)
3. Incorporation of CCC Statement of Interpretation (Recommendation 3)

This document outlines the proposed changes to the Code for Stage 1, in response to Recommendations 4-7.

The following groups have helped to develop these draft changes:

- Code of Conduct Committee
- Climate Policy and Practice Community
- Localisation working group
- Racial Justice Community of Practice

Architecture of the Code

| Component | Description | Location |
|-------------------------|--|--------------------------------|
| Quality Principle | The Code is structured within nine high level Quality Principles. They describe high level principles of practice that, taken together, contribute to quality development and humanitarian action outcomes and increased stakeholder trust. | Code of Conduct |
| Commitment | The Commitments are the behaviours that apply directly to ACFID's members and to which ACFID's members commit. | Code of Conduct |
| Compliance Indicator | These are pitched at a relatively high level of practice while still being achievable by the diversity of ACFID's members. Members must meet the Compliance Indicators in order to be considered compliant with the Code. | Quality Assurance Framework |
| Verifier | Each of the Compliance Indicators has a Verifier which describes the evidence that is required to substantiate compliance. These Verifiers recognise the diversity of the ACFID's membership and the variety of ways that different members will demonstrate their compliance. | Quality Assurance Framework |
| Good Practice Indicator | These describe a higher standard of practice than that set out in the Compliance Indicators. Members may work towards achieving the Good Practice Indicators over time. Members do not need to meet the Good Practice Indicators to be considered compliant with the Code. | Quality Assurance Framework |
| Definitions | Outlines key terms in the Quality Assurance Framework, including general and financial definitions. | Quality Assurance Framework |
| Guidance and Resources | The Code and its implementation by ACFID's members is further supported with the Good Practice Toolkit which provides additional examples of good practice, tools, templates and resources. | Good Practice Toolkit (online) |

Guiding Questions

When reviewing the proposed changes, members are asked to consider the following questions:

- CREDIBILITY - Do the proposed changes reflect your interpretation of the recommendations and good practice?
- IMPACT - What would the outcomes of the proposed changes be and what impact would this have on members' practice and/or reporting requirements?
- RELEVANCE - Are the proposed changes relevant and achievable by all ACFID members?
- COHERENCE - Are there any additions or edits that would improve the proposed changes?
- USEABILITY - What additional guidance or definitions would be needed to help members understand and implement the proposed changes?

Related documents

- [ACFID Code of Conduct](#)
- [Quality Assurance Framework](#)
- [ACFID Code of Conduct Review - Terms of Reference](#)
- [Consultation Phase: Summary of recommendations – December 2022](#)
- [ACFID Resolution on Climate Action \(2-2021\)](#)
- [ACFID Climate Action Framework](#)
- [ACFID Resolution on Decolonisation, Anti-Racism and Locally Led Action \(1-2022\)](#)
- [ACFID Resolution on Race, Diversity and Australian INGOs \(1-2020\)](#)

2. Recommendations from Consultation Phase

These recommendations summarise key propositions emerging from the ACFID Code Review Consultation Phase. This proposed changes to the ACFID Code and Quality Assurance Framework outlined in this paper relate to Recommendations 4-7.

Recommendation 1: Revise the Code’s drafting to clarify, simplify and reduce duplication, recognising that increased consistency on even relatively small areas assists in reducing the overall compliance burden

- Consolidate compliance indicators or verifiers that appear in multiple places within the Code (i.e. remove duplication, cross-reference where required).
- Clarify definitions and ensure consistent usage of terms

Recommendation 2: Increase alignment with external standards and regulations to reduce complexity and the administrative load:

- in line with the following principles, and
- recognising that increased consistency on even relatively small areas assists in reducing the overall compliance burden.
 - a. Review all Code compliance indicators or verifiers that are similarly required by external regulators of *all* ACFID members, to either:
 - a. Remove the requirement for a separate indicator or verifier; or
 - b. Explicitly cross-reference these requirements in the Code, accepting wherever possible that these are verified by compliance with the external standard.
 - b. Align the Code to external regulation where:
 - a. The regulation is well-established, *and*
 - b. The Code already substantially meets or aligns with the regulation.
 - c. Consider Code changes where increased alignment can meet multiple external regulatory requirements (e.g. DFAT Accreditation and ACNC).
 - d. While dependent also on the forthcoming review of DFAT Accreditation, consider Code changes where increased alignment to DFAT requirements may reduce overall compliance burden:
 - i. Where DFAT may increase its recognition of ACFID Code status, seek to align with DFAT Accreditation requirements
 - ii. In areas such where DFAT is unlikely to increase its recognition of ACFID Code status, only increase alignment of the Code where not creating additional or expanded burden on members
 - e. Application of this principle (d) must explicitly consider that more than half of Code signatories do not participate in ANCP.
 - f. Make explicit within the Code and/or associated documents where requirements derive from or interact with external standards or regulations.

Recommendation 3: Revise the Code to explicitly integrate the contents of the Statement of Interpretation (as approved by the Code of Conduct Committee and the ACFID Board in 2021).

Recommendation 4: Where the Code needs to be refined to address emerging issues – e.g. climate change; locally-led development; diversity, anti-racism and racial justice – where possible, do so through existing quality principles and commitments.

Recommendation 5 (Climate Change):

- a. Incorporate specific mention of climate change in **Commitment 3.3** on environmental stewardship and sustainability
- b. Consider mention of climate change in **Commitment 4.2** on contextual analysis as a factor impacting programming
- c. Include a good practice indicator relevant to ESG/ESCC/carbon reporting in **Commitment 8.3** on organisational reporting

Recommendation 6 (Locally-led Development/Humanitarian Action):

- a. Significantly reframe **Quality Principle 2: Participation, Empowerment and Local Ownership** to place the focus on local actors' power and role rather than that of the member.
- b. Revise the Commitments, Indicators and Verifiers, particularly under **Quality Principles 2 and 3** to reflect this reframing, e.g., emphasis on locally-led design
- c. Review which requirements are mandatorily cascaded to implementing partners, and how

Recommendation 7 (Anti-Racism, Racial Justice, and Diversity):

- a. Add a new commitment under **Quality Principle 1: Rights, Protection and Inclusion** which commits members to anti-racism and/or racial justice
- b. Add indicators under **Quality Principle 7: Governance** about diversity and representation on governing bodies and public reporting on diversity and representation on governing bodies.
- c. Add indicators under **Quality Principle 9: People and Culture** about diversity and representation in staffing (including executive leadership) and public reporting on diversity and representation on staffing (including executive leadership)
- d. Add a good practice indicator(s) of evidence-based interventions that can reduce racial discrimination and bias.

3. Recommendation 5: Climate Change

Summary of feedback

Extract from [Phase 1 Consultation Summary Report \(Dec 2022\)](#)

Overall members believe the ACFID Code currently ‘somewhat’ incentivises or supports climate action, and it was not seen to prevent or hinder action. Despite the majority of survey respondents being uncertain of the need for change or suggesting change was not required, several specific changes were proposed.

Some specific suggestions for change include the following:

- Explicitly reference climate to signify its priority and importance, noting currently it is somewhat implied (for example in Commitment 3).
- Ensure climate – or, earth systems and climate change (ESCC) – are addressed within NGO operations, and not only programming.
- Ensure risks assessments include climate risk assessments
- Providing good practice guidance, resources, and learning. members need to be aware of what to avoid and what to do. Measures and strategies that can be taken, for both adaptation and mitigation.
 - These may include guidance around baselining emissions, and reporting on ESCC action and climate-related disclosures (emissions and potentially climate-related financial disclosures, as this may be legislated on soon)

Some members made observations about the existing Code, including:

- Code compliance indicators currently seem more inclined towards ‘adaptation’ or ‘risk responsive actions’ than being balanced with ‘climate mitigation’
- There is a need to consider the impact the requirements of the Code has on climate change (for example, consider the duplication of evidence, resources and reporting, demands on environmental services, trips to field, time online, use of technology).
- Some of the content, language and indicators, may be slightly outdated
- Currently the Code provides for a variety of levels of engagement with the issue. The design principles need to be applied, such that the Code remains relevant across organisations of different approaches, models, and focus areas, and considering the varying risk profiles and sizes of organisations.

The [ACFID Council Resolution 2-2021](#) on climate action was noted, along with the [Climate Action Framework](#).

Climate practice itself continues to evolve, and the Code will need to continue to evolve with it. Australia may be legislating some aspects of compliance, such as for climate-related disclosures, however this is not yet clear.

Many members saw climate change as a global priority issue, impacting all programming and operations. Fewer respondents commented to indicate that not all members work in the area of

environment and climate change programming, and were uncertain of the extent of direct relevance to their work.

There was concern to ensure that any new requirements did not unreasonably impact in-country partners.

Feedback was consistent that the ANGO sector is not yet ready for this to be made a red-line issue. The Code's role at this time was proposed to be one of guidance on first steps, a pathway of learning and knowledge-sharing, rather than additional compliance indicators and verifiers at this stage (particularly in relation to NGO operations). In the area of programming there is an opportunity to make the implicit explicit without adding additional compliance indicators and verifiers.

Summary of proposed changes and rationale

| Rec. | # | Proposed change | Rationale/context | Change to Code reporting |
|----------|---|---|---|--|
| 5 (a) | 1 | Change wording and description of Quality Principle 3 | Explicit reference to climate action. The term 'climate action' has been chosen to reflect terminology used in ACFID's Climate Action Framework. | No change. |
| | 2 | Update Commitment 3.3 | Explicit reference to climate action. | No change. |
| | 3 | Update Indicator 3.3.1 | Explicit reference to an organisational commitment climate action in development and humanitarian initiatives. | Possible change. Members may need to review their current organisational commitments. |
| | 4 | Update Verifiers for 3.3.1 | Explicit reference to climate action. Highlighting the need to consider risks associated with climate change as part of existing requirement to analyse and manage environmental risks more broadly. | Possible change. Members may need to revise their existing policy, statement or guidance document on environmental sustainability to cover a commitment to climate action. |
| | 5 | Update Indicator 3.3.2 | Explicit reference to organisational commitment to addressing climate action in internal operations. | Possible change. Members may need to review their current organisational commitments. |
| | 6 | Update Verifiers for 3.3.2 | Explicit reference to climate action. | Possible change. Members may need to revise their existing policy, statement or guidance document. |
| | 7 | New Good Practice Indicators at 3.3 | Climate justice has been noted as an important concept for the sector to be considering. Including it in a GPI | No change. |

| | | | | |
|-------|----|---------------------------|--|---|
| | | | <p>elevates and socialises the concept without any compliance implications.</p> <p>Organisational targets around reducing environmental impact are important, but may be beyond capacity of all member to implement – hence included as a GPI.</p> | |
| 5 (b) | 9 | Update Verifier for 4.2.1 | <p>OPTION 1 Climate change is an important factor impacting programming. This option would require members to consider climate change as part of conducting a context analysis in the design phase.</p> | <p>Possible change. Members may need to revise what they consider in their contextual analysis if climate change is not already considered.</p> |
| | | | <p>OPTION 2 Climate change is an important factor impacting programming. This option moves away from listing specific requirements for a context analysis, but still identifies the impacts of climate change as a factor that should be considered (along with others).</p> | <p>No change.</p> |
| | 10 | Update Verifier for 4.2.2 | <p>OPTION 1 Risks associated with climate change are explicitly called out.</p> | <p>Possible change. Members may need to revise what is covered in their current risk management processes to ensure they include climate change risks.</p> |
| | | | <p>OPTION 2 Risks associated with climate change, and risks associated with protection/safeguarding, are combined under ‘social and environmental safeguards’. This reflects language used by DFAT and others, and captures not only climate change risks but also other environmental risks.</p> | <p>Possible change. Members may need to revise what is covered in their current risk management processes</p> |
| 5 (c) | 11 | Replace GPI | <p>Improve specificity of ‘environmental reporting’ which could be interpreted to mean programmatic reporting. Focus on reporting on environmental footprint in annual reports.</p> | <p>No change.</p> |

Proposed changes marked as tracked changes

Quality Principle 3: Climate Action and Sustainable Change

Recommendation 5 (Climate Change):

a. Incorporate specific mention of climate change in **Commitment 3.3** on environmental stewardship and sustainability

| Commitment 3.3 We promote environmental stewardship, and sustainability and climate action. | |
|---|--|
| Compliance Indicators | Verifiers |
| 3.3.1 Members demonstrate an organisational commitment to environmental sustainability, climate action and improved environmental outcomes in their development and humanitarian initiatives. | Policy, statement or guidance document committing the member to promoting environmental sustainability, climate action and improved environmental outcomes in development and humanitarian initiatives. Design or planning framework, tools, templates which require or approaches which consistently show evidence of the analysis of environmental risk and management, including risks associated with climate change. |
| 3.3.2 Members demonstrate an organisational commitment to environmental sustainability, climate action and improved environmental outcomes in their organisation's internal operations. | Policy, statement or guidance document committing the member to minimising the environmental and climate impact of their organisation's internal operations. |

| Good Practice Indicators |
|---|
| <ul style="list-style-type: none"> • A focal person with responsibility for environmental sustainability is in place. • Climate change mitigation, adaptation, and impact, and disaster risk reduction are incorporated into program strategies wherever possible. • Environmental sustainability and impact training is provided to key personnel and partners. • Periodic reports are provided internally and to relevant stakeholders on environmental sustainability and impact achievements. • Information about the impacts of climate change and environmental sustainability issues are promoted in public communications. • Policy, programs and advocacy are centred in climate justice and equity principles. • Organisational targets are in place to measure progress in minimising the environmental impact of our operations. |

b. Consider mention of climate change in **Commitment 4.2** on contextual analysis as a factor impacting programming

4.2 We analyse and understand the contexts in which we work

| Compliance Indicators | Verifiers |
|--|---|
| <p>4.2.1 Members' planning and practice are informed by analysis of context, evidence and research, and inclusion of the perspectives and knowledge of primary stakeholders.</p> | <p>OPTION 1 Design or planning framework, tools, templates which require or approaches which consistently show context and stakeholder analysis, including the consideration of climate change, the perspectives and knowledge of primary stakeholders and an analysis of power dynamics including issues of gender equality and equity.</p> <p>Appraisal/selection process that requires designs to include systematic consideration of context and stakeholder analysis, evidence and research, and the perspectives and knowledge of primary stakeholders including analysis of power dynamics and issues of gender equality and equity.</p> |
| <p>4.2.1 Members' planning and practice are informed by analysis of context, evidence and research, and inclusion of the perspectives and knowledge of primary stakeholders.</p> | <p>OPTION 2 Design or planning framework, tools, templates which require or approaches which consistently show context and stakeholder analysis. Contextual analysis should consider, including the consideration of the perspectives and knowledge of primary stakeholders, impacts of climate change and an analysis of power dynamics including issues of gender equality and equity.</p> <p>Appraisal/selection process that requires designs to include systematic consideration of context and stakeholder analysis, evidence and research, and the perspectives and knowledge of primary stakeholders including analysis of power dynamics and issues of gender equality and equity.</p> |
| <p>4.2.2 Members assess and manage risk in their development and humanitarian initiatives.</p> | <p>OPTION 1 A risk framework, risk management plan or approaches which assess and address risks for initiatives including from a protection / safeguarding perspective and risks associated with climate change.</p> |
| <p>4.2.2 Members assess and manage risk in their development and humanitarian initiatives.</p> | <p>OPTION 2 A risk framework, risk management plan or approaches which assess and address risks for initiatives including from a social and environmental safeguards perspective, protection / safeguarding perspective.</p> |

c. Include a good practice indicator relevant to ESG/ESCC/carbon reporting in **Commitment 8.3** on organisational reporting

8.3 We report on the acquisition and use of our resources

Good Practice Indicators

- Annual report and other organisational financial information is accessible in all countries of operation.
- Member annual report includes:
 - Information on the breadth of stakeholder relationships.
 - Presentation of clear and measurable goals and explanations of how their work and these goals contribute to vision, mission and values.
 - Information on outcomes and impact as well as outputs (including trend information).
 - Disclosure of the source and sustainability of different types of funding.
 - Risk management reporting.
 - A balanced disclosure of positive and negative impacts and performance
 - Adaptation to challenges faced.
 - [Reporting on actions to reduce organisational environmental footprint. Environmental sustainability reporting.](#)

4. Recommendations 6 and 7: Locally-led development and humanitarian action, and Anti-racism, racial justice and diversity

Feedback from the early drafting stage with Communities of Practice confirmed the interrelated nature of locally-led development and humanitarian action and efforts to address anti-racism, racial justice and diversity. For this reason, Recommendations 6 and 7 should be looked at in combination.

Summary of feedback

Extract from [Phase 1 Consultation Summary Report \(Dec 2022\)](#)

F. Locally-led Development/Humanitarian Action

This sub-section was the emerging issue most commented upon throughout the Consultation Phase, in relation to varied elements of the Code, and diverse sections of the Discussion Paper.

While the ACFID Code was seen to incentivise or support locally-led action it was simultaneously found to be somewhat preventing and hindering it. The focus on the participation and empowerment of primary stakeholders and the community accountability and complaints mechanism were seen as ways the Code incentivises locally-led action.

Specific areas identified as inhibiting locally-led action included:

- Compliance layers impacting members' ability to innovate and be flexible with in-country partners.
- Not all specified compliance indicators and verifiers being contextually appropriate, culturally safe, or feasible for partner adherence (e.g. complex/fragile contexts).

There were several specific suggestions, including:

- Recasting need-identification, design and implementation processes so that those in greatest proximity lead, supported by members with the financial, organisational and collaborative capacities to do so.
- Change language referencing relationship with in-country partners and stakeholders.
- Strong feedback on the on the need to change language away from 'participation,' 'empowerment,' 'primary stakeholders,' and 'vulnerable people'.

The language of 'power' was prominent in conversations and the need to both recognise the power of members and the need to shift power. However, it was also acknowledged there was a diversity of understanding of the meaning of 'power'.

Generally, smaller agencies believed this is 'how they already operate', whereas this is a more challenging effort for larger INGOs with international federations/confederations. Various stakeholders believed it was important that the Code must be aspirational, to avoid agencies seeking to evidence that their existing system meets the definition of localisation, or, continuing to conform with INGOs' historical perspectives and approaches.

See [Appendix C of the full report](#) for further references provided by members that describe locally-led development, and that may inform relevant commitments, indicators and verifiers.

G. Anti-Racism, Racial Justice, and Diversity

Most respondents believed the Code ‘somewhat’ incentivises or supports diversity, anti-racism and racial justice. The majority were ‘uncertain’ or responded ‘no’ as to whether Code prevents or hinders these attributes.

Respondents recognised that human rights and inclusion implied a commitment to both avoidance of discrimination and racial justice, however, as anti-racism and racial justice are not mentioned explicitly in the Code, they could be strengthened. This could include clarifying definitions of terms such as ‘diversity’ and ‘racial justice’.

There was a close correlation in comments and recommendations between this section and those for localisation, particularly as it related to in-country partners. Therefore, the reframing of areas such as Quality Principle 2 about locally-led action should also advance racial justice.

Respondents emphasised the need to explicitly address NGOs’ own power structures, and the diversity of workforces, leadership, and governance bodies. Representation and reporting were both identified as ways of highlighting diversity in governance and personnel. However, prescriptive elements on diversity may be burdensome or infeasible for small agencies. Good Practice Indicators were suggested as a way forward; as a first step, needing to be followed up with stronger accountability and complaints mechanisms.

The [ACFID Council Resolution 1-2020](#) on Race, Diversity and Australian INGOs was noted, along with [ACFID Council Resolution 1-2022](#) on Decolonisation, Anti-Racism, and Locally-Led Action (passed during the Consultation Phase).

While this aspect of the discussion paper focused on racial diversity, there were members that highlighted other aspects of diversity, and intersectionality.

Summary of proposed changes and rationale

| Rec. | # | Proposed change | Rationale/context | Change to Code reporting |
|------------------------|---|--|--|--|
| 6 (a) and (b) | 1 | Change wording and description of Quality Principle 2 | Shift language away from ‘participation’ and ‘empowerment’. Explicit focus on local leadership. | No change. |
| | 2 | Combine Commitment 2.1 and 2.2 into a new Commitment 2.1 | Shift language away from ‘participation and ‘empowerment’. Explicit focus on taking active measures to invest in locally-led action and taking active measures to reduce power imbalances. | Reduction. Reporting against 1 less commitment. |
| | 3 | Update Indicator 2.1.1 and Verifier | Explicit focus on an organisational commitment to locally-led action. The Verifier reflects the structure of the Code more broadly which starts with an organisational commitment evidenced through a policy, statement or guidance document, and then moving into practice. | Possible change. Members may need to update or develop a policy, statement or guidance document if not in place already. |
| | 4 | New Indicator 2.1.2 and Verifiers | Follows on from Indicator 2.1.1 to focus on practice. 1 st Verifier | Possible change. Members may need to review their |

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| | | | Focuses on ensuring local voices and decision-making throughout the program cycle, in the allocation of resources, and the design and evaluation of feedback/complaints mechanisms. How this is done is not specified to allow for differences in organisational approaches and operating environments. Shift away from previous framing around participation of primary stakeholders in planning, monitoring and evaluation. | current practices and consider if and how they need to change. |
| | 5 | | 2 nd verifier: Update of previous Indicator 2.2.1. Focuses on practical examples of efforts to reduce power imbalances and ensure the influence of primary stakeholders in decision-making throughout the program cycle. | Possible change. Members may need to review their current practices, particularly how they work to reduce power imbalances. |
| | 6 | Update GPI at 2.1 | Updated language for coherence. | No change. |
| | 7 | Deleted GPIs at 2.1 | Language and good practice approaches have moved beyond participation and empowerment. | No change. |
| | 8 | Combine Commitment 3.1 and 3.2 into a new Commitment 3.1 | Removes duplication (some aspects of 3.1 and 3.2 were repetitive). Retain focus on systemic change and supporting/strengthening local systems and structures. Updated to improve phrasing. | Reduction. Reporting against 1 less commitment. |
| | 9 | Delete Indicator 3.1.2 | Duplicative – captured by 3.2.2 (now 3.1.2) | Reduction. |
| | 10 | Update Indicator 3.1.2. | Updated to improve phrasing. | No change. |
| | 11 | New Indicator 3.1.3 | Reframing of previous Indicator 3.1.3. Shift away from capacity building to focus on investing in partners’ priorities for organisational strengthening. | Possible change. Members may need to review how they support local partners and understand and respond to their priorities. |
| 6 (c) | 12 | Updated approach to how specific Indicators and Verifiers are cascaded to partners. | Cascading compliance requirements to partners through MOUs or partnership agreements is not always an effective approach to managing risk. While there may be situations where using MOUs or similar is an appropriate approach, the proposed change aims to provide greater flexibility for ACFID members in how they manage risk with their partners. | Possible change. Members may need to reconsider the most effective approaches for managing risks with their partners. |

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| 6 (a) and (b) | 13 | Update Commitment 1.2 | Encourages a more active stance that moves beyond respecting and responding, to prioritising the voice, rights and inclusion of those who experience vulnerability, marginalisation and exclusion. | No change. |
| | 14 | Update Indicator 1.2.1 | Updated wording for simplicity, whilst maintaining acknowledgement that vulnerability, marginalisation and exclusion are experiences, which are context-specific. | No change. No change to Verifier. |
| | 15 | Update Indicator 1.2.2 | Updated to focus on voice and input of those experiencing vulnerability, marginalisation and exclusion in planning processes. Shift away from consultation and an analysis of needs that may or may not include those affected. | No change. No change to Verifier. |
| | 16 | Update Indicator 1.2.3 | Updated to focus on incorporation of the voice of those who experience vulnerability, marginalised and exclusion in monitoring and evaluation, rather than members monitoring their own progress without speaking to those affected. | No change. No change to Verifier. |
| | 17 | Update Indicator 1.2.4 | Updated for simplicity and to reflect that preventing unintended harm is relevant for all. | No change. No change to Verifier. |
| 7 (a) | 18 | Change wording and description of Quality Principle 1 | Updated to better reflect focus of Commitments. | No change. |
| | 19 | Update Commitment 1.1 | Draws an explicit link between existing commitment to human rights and acknowledgement of inequities, systemic barriers and racism that impact our organisations and the work we do. | No change. |
| | 20 | Update Indicator 1.1.1 | Explicit reference to a commitment to racial justice alongside human rights. Recognises racial justice as a specific issue relevant to the development and humanitarian sector, given the historical legacy of colonisation and the ongoing power imbalances that exist. | No change. |
| 7 (b) | 21 | New Good Practice Indicators at 7.4 | Specific recommendation. Recognises that diversity and representation looks different for each ACFID member, but that leadership and governing body should reflect the Australian community and the communities they serve. | No change. |
| 7 (c) | 22 | New Good Practice Indicator at 9.1 | A step towards encouraging members to take active steps to review their diversity profile. | No change. |
| 7 (d) | 23 | New Verifier at 9.2.3 | Members are asked to provide training on other key areas, e.g. child safeguarding, WH&S. Training at all levels of an organisation is one way to support behaviour and attitudinal change. | Possible change. Members may need to review training offerings. |

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| 7 (c) | 24 | Update Verifier at 9.3.1 | Explicitly referencing anti-racism as a critical issue that must be addressed in HR policies/procedures. | Possible change. Members may need to revise HR policy. |
| 7 (c) | 25 | New Good Practice Indicators at 9.3 | Specific recommendation. Recognises that diversity and representation looks different for each ACFID member, but that staff and volunteers should reflect the Australian community and the communities they serve. | No change. |
| | 26 | Update to Verifier at 9.4.1 | Explicit reference to anti-racism in organisational codes of conduct. | Possible change. Members may need to review their code of conduct to ensure it covers anti-racism if it doesn't already. |
| | 27 | New Good Practice Indicator at 9.4 | Reflects approach taken throughout the Code to appointment a focal person for key issues. | No change. |

Proposed changes marked as tracked changes

Recommendation 6

- a. Significantly reframe Quality Principle 2: Participation, Empowerment and Local Ownership to place the focus on local actors' power and role rather than that of the member.
- b. Revise the Commitments, Indicators and Verifiers, particularly under **Quality Principles 2 and 3** to reflect this reframing, e.g., emphasis on locally-led design

Participation, Empowerment and Local Ownership

2. Locally-led and inclusive development

| <p>Quality Principle: Development and humanitarian responses enable sustainable change through the empowerment of local actors and system by supporting local leadership and inclusive approaches.</p> | |
|---|---|
| <p><u>2.2.1 We seek to reduce power imbalances and invest in locally-led development and humanitarian action.</u>1 We promote the participation of primary stakeholders</p> | |
| Compliance Indicators | Verifiers |
| 2.1.1 Members demonstrate an organisational commitment to advancing the participation of primary stakeholders <u>locally-led action.</u> | Policy, statement or guidance document that commits the member to enabling the participation and contribution of primary stakeholders <u>locally-led action.</u> |
| 2.1.2 Members contribute to <u>locally-led action in their development and humanitarian initiatives.</u> 2.1.2 Members' planning process includes the participation of primary stakeholders. | <p>Evidence of local voices and decision-making is consistently captured in:</p> <ul style="list-style-type: none"> ● <u>Design or planning framework, tools, templates or approaches.</u> ● <u>Monitoring and evaluation framework, tools, templates or approaches.</u>Design or planning framework, tools, templates that require or approaches which consistently show evidence of the participation of primary stakeholders. ● <u>The allocation of resources (time, funds and people) throughout the project cycle</u> ● <u>The design and evaluation of feedback and complaints mechanisms</u> <p><u>Development and humanitarian initiatives consistently show evidence of strategies to reduce power imbalances and the influence of primary stakeholders in planning, decision-making and evaluation.</u></p> |
| 2.1.3 Members monitor and evaluate their progress in the participation of primary stakeholders. | Monitoring and evaluation framework, tools, templates that require or approaches which consistently show evidence of the assessment of the participation of primary stakeholders. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> ● Program and organisational information is translated into relevant local languages and in appropriate forms. ● Training for staff, volunteers and partners on primary stakeholder participation in the development process and techniques to enable this participation in relevant ways is provided. ● Evaluation and reflection on approaches and mechanisms to promote the participation of primary stakeholders is undertaken e.g. in design appraisal tools or in terms of reference in evaluations. ● Members promote the voice of primary stakeholders in its communications with the public and external stakeholders. ● Resources (time, funds and people) are allocated to <u>building-strengthen</u> the capacities of primary stakeholders to enable <u>them to</u> implement and lead their own <u>capacity strengthening and</u> development initiatives. | |

- The representation of primary stakeholders in local leadership roles is promoted and supported.
Evaluation and reflection on approaches and mechanisms to empower primary stakeholders is undertaken periodically e.g. in design appraisal tools or in terms of reference in evaluations.
Members promote the value of empowerment of primary stakeholders to the public and external stakeholders.

2.2 We promote the empowerment of primary stakeholders

| Compliance Indicators | Verifiers |
|--|--|
| 2.2.1 Members have formal mechanisms for primary stakeholders to contribute their ideas, feedback and complaints so that they have a voice in and ownership of their own development and humanitarian initiatives. | Development and humanitarian initiatives consistently show evidence of the contribution and influence of primary stakeholders. |
| 2.2.2 Members promote opportunities for primary stakeholders to participate in decision-making about the initiatives that affect them. | Development and humanitarian initiatives consistently show evidence of strategies for primary stakeholders to participate in decision-making about the initiatives that affect them. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> • Resources (time, funds and people) are allocated to building the capacities of primary stakeholders to enable implement and lead their own development initiatives. • The representation of primary stakeholders in local leadership roles is promoted and supported. • Evaluation and reflection on approaches and mechanisms to empower primary stakeholders is undertaken periodically e.g. in design appraisal tools or in terms of reference in evaluations. • Members promote the value of empowerment of primary stakeholders to the public and external stakeholders. | |

3. Climate Action and Sustainable Change

Quality Principle: Development and humanitarian responses contribute to the realisation of climate action and sustainable development.

3.1 We seek durable and lasting improvements in the circumstances and capacities of primary stakeholders

| Compliance Indicators | Verifiers |
|---|--|
| 3.1.1 Members design initiatives in response to the root causes of poverty and inequity. | Design or planning framework, tools, templates which require or approaches which consistently show analyses of the causes of poverty and inequity. |
| 3.1.2 Members identify and influence local organisations and/or primary stakeholders to enhance and promote their own development. | Design or planning framework, tools, templates which require or approaches which consistently show the identification of local organisations and/or primary stakeholders and strategies to influence them. |
| 3.1.3 Members support local partners to develop their capacity to influence their own development. | Development and humanitarian initiatives consistently show evidence of capacity building. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> • Training on the principles of sustainable development is provided to key personnel and partners. • The extent to which initiatives lead to durable and lasting change is evaluated. • Commitment to durable and lasting improvements is promoted to the public and external stakeholders. | |

| 3.21 We contribute to systemic change. | |
|--|---|
| Compliance Indicators | Verifiers |
| 3.1.1 Members design initiatives in response to the root causes of poverty and inequity. | Design or planning framework, tools, templates which require or approaches which consistently show analyses of the causes of poverty and inequity. |
| 3.1.2 Members work with local systems, and structures such as and institutions, such as civil society, community structures and authorities (where appropriate) to support and strengthen local people and systems. | Development and humanitarian initiatives consistently show evidence of working with <u>and supporting</u> local systems and structures. |
| 3.1.3 Members invest time and resources in supporting the sustainability of local partners, including their broader mandate, strategy and capacity. | <u>Development and humanitarian initiatives consistently show evidence of responding to local partners' priorities for organisational strengthening.</u> |
| 3.2.31.4 Members that undertake advocacy and/or campaigning, support initiatives that are evidence-based, accurate and reflect the perspectives of primary stakeholders. <i>This indicator and verifiers are relevant only to members which undertake advocacy and/or campaigning.</i> | Policy, statement or guideline document that covers the following: <ul style="list-style-type: none"> ● Advocacy does not do harm or increase the level of risk facing affected groups. ● Advocacy is evidence-based and accurate. ● Advocacy messages reflect the perspectives of the affected population. ● Design or planning framework, tools, templates or approaches which show evidence of the analysis of risks associated with advocacy initiatives, with a particular focus on the safety and rights of primary stakeholders. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> ● Diverse stakeholders groups are brought together to engage on change management processes. ● Collaboration with other organisations on intersecting issues is undertaken at national and international levels . ● Periodic reports are provided internally and to relevant primary stakeholders on the outcomes of advocacy work. ● Activities are undertaken to strengthen the capacity of marginalized groups to participate in multi-stakeholder processes. ● Training on the principles of sustainable development is provided to key personnel and partners. ● The extent to which initiatives lead to durable and lasting change is evaluated. ● Commitment to durable and lasting improvements is promoted to the public and external stakeholders. | |

c. Review which requirements are mandatorily cascaded to implementing partners, and how

There are 8 compliance indicators and associated verifiers in the Code which members are asked to extend to their partners. These relate to high risk areas such as child safeguarding, financial wrongdoing. Currently members are asked to extend the Code standards to partners through 'MOUs or similar'.

Member feedback highlighted that cascading compliance requirements to partners through MOUs or partnership agreements is not always an effective approach to managing risk. It can end up being a tick box approach that also leaves little flexibility for members in how they work with different partners.

While there may be situations where using MOUs or similar is an appropriate approach, the proposed wording outlined below aims to provide greater flexibility for ACFID members in how they manage risk with their partners.

Current wording:

Members are required to extend this compliance indicator and verifiers to partners through MOUs or similar.

Proposed wording:

Members are required to ensure they have appropriate controls to assess, manage and mitigate the risks relevant to this compliance indicator and verifier, when working with and through partners.

Current indicators which are cascaded to partners:

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|---|
| 1.4.1 Members demonstrate their organisational commitment to the safeguarding of children. |
| 1.4.2 Members have a code of conduct that advances child safeguarding behaviours and applies to all personnel, partners and project visitors. |
| 1.4.3 Members have a documented child safeguarding incident reporting procedure and complaints handling procedures that aligns with principles of privacy and promotes safety and dignity. |
| 1.5.1 Members demonstrate their organisational commitment to the prevention of sexual exploitation and abuse, through a survivor-centred approach. |
| 7.3.1 Members demonstrate an organisational commitment to operating transparently with all stakeholders. |
| 7.3.2 Members development initiatives consistently demonstrate the separation of development activities from non-development activities. |
| 7.3.3 Members enable stakeholders to make complaints to the organisation in a safe and confidential manner. |
| 8.2.1 Members can control and manage their financial resources and risks. |

1.2 We ~~respect and respond to~~ prioritise the ~~needs~~ voice, rights, and inclusion of those who ~~are vulnerable~~ experience vulnerability, marginalisation and exclusion. ~~and those who are affected by marginalisation and exclusion~~

| Compliance Indicators | Verifiers |
|---|---|
| 1.2.1 Members demonstrate an organisational commitment to the inclusion and representation of those who experience vulnerability, marginalisation and exclusion are vulnerable, and those who are affected by the intersecting drivers of marginalisation and exclusion. | Policy, statement or guidance document that commits the member to the inclusion and representation of those who are vulnerable and those who are affected by the intersecting drivers of marginalisation and exclusion, including not restricted to race, religion, ethnicity, indigeneity, disability, age, displacement, caste, gender, gender identity, sexuality, sexual orientation, poverty, class and socio-economic status. |
| 1.2.2 Members' planning process prioritises the voice and input of those who experience vulnerability, marginalisation and exclusion includes consultation with those who are vulnerable and those who are affected by marginalisation and exclusion and analysis of their needs and rights and barriers to their inclusion in context-specific ways. | Design or planning frameworks, tools, templates that require or approaches that consistently show the consideration of the needs, rights and barriers to the inclusion of those who are vulnerable and those who are affected by marginalisation and exclusion in context-specific ways. |
| 1.2.3 Members' monitoring and evaluation process consistently incorporates the voice of those who experience vulnerability, marginalisation and exclusion. Members monitor and evaluate their progress in addressing the needs, rights and inclusion of those who are vulnerable and those who are affected by marginalisation and exclusion in context-specific ways. | Monitoring and evaluation framework, tools, templates that require or approaches which consistently show evidence of the assessment of progress addressing the needs, rights and inclusion of those who are vulnerable and those who are affected by marginalisation and exclusion in context-specific ways. |
| 1.2.4 Members consider the potential impact of their development and humanitarian initiatives, on those who are vulnerable and those who are affected by marginalisation and exclusion with a view to preventing unintended harm. | Design or planning frameworks, tools, templates which require or approaches that consistently show the consideration of the potential for unintended harm and strategies to mitigate the risk of harm. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> • Training is provided for staff and volunteers to understand the intersecting drivers of marginalisation and exclusion; exacerbating factors; and barriers to inclusion. • Initiatives that build the capacities of specific rights holders to understand and advocate for their rights are supported. • Information about issues relating to marginalization and exclusion is promoted to the public and external stakeholders. | |

Recommendation 7 (Anti-Racism, Racial Justice, and Diversity):

a. Add a new commitment under Quality Principle 1: Rights, Protection and Inclusion which commits members to anti-racism and/or racial justice

1. Rights, ~~Protection~~ Justice and Safeguarding and Inclusion

Quality principle: Development and humanitarian responses respect and protect human rights and advance justice.

1.1 We respect and protect human rights, acknowledging power and resourcing inequities, systemic barriers and racism.

| Compliance Indicators | Verifiers |
|---|---|
| 1.1.1 Members demonstrate an organisational commitment to human rights <u>and racial justice</u> . | Policy, statement or guidance document which commits members to human rights, noting that human rights are for everyone, regardless of race, religion, ethnicity, indigeneity, disability, age, displacement, caste, gender, gender identity, sexuality, sexual orientation, poverty, class or socio-economic status. |
| 1.1.2 Members contribute to the realisation of human rights in their development and humanitarian initiatives. | Development and humanitarian initiatives show evidence of linkages to the realisation of human rights. |
| 1.1.3 Members protect primary stakeholders from discrimination, violence, abuse, exploitation or neglect based on an analysis of the context in which they are working. | Development and humanitarian initiatives consistently show evidence of strategies towards protecting primary stakeholders from discrimination, violence, abuse, exploitation or neglect as relevant to the context |

Good Practice Indicators

- A human rights or rights-based approach is integrated into programming.
- Training is provided to staff and volunteers on a rights based approach to development.
- Periodic evaluation and reflection on their rights based approaches is undertaken.
- Information about issues relating to human rights is promoted to the public and external stakeholders.

b. Add indicators under Quality Principle 7: Governance about diversity and representation on governing bodies and public reporting on diversity and representation on governing bodies.

7.4 We have responsible and independent governance mechanisms.

Good Practice Indicators

- The governing body Chair does not also occupy the position of Chief Executive Officer or equivalent.
- Periodic reviews of the effectiveness of organisation governing body are undertaken.
- A 'Conflict of Interest' register is maintained and 'conflict of interest' is a standing agenda item at governing body meetings.
- Members seek out gender and safeguarding expertise as desirable skills and experience when recruiting new persons to the governing body.
- Members seek out diversity and representation in their leadership and governing body, which reflects the Australian community and the communities they serve.
- Members report publicly on the diversity and representation of their leadership and governing body.

c. Add indicators under Quality Principle 9: People and Culture about diversity and representation in staffing (including executive leadership) and public reporting on diversity and representation on staffing (including executive leadership)

d. Add a good practice indicator(s) of evidence-based interventions that can reduce racial discrimination and bias.

| Quality Principle 9: Development and humanitarian organisations manage and support their people fairly and effectively. | |
|--|--|
| 9.1 We have the human resource capacity and capability to deliver our work. | |
| Compliance Indicators | Verifiers |
| 9.1.1 Members have an organisational structure appropriate to the scope of their work. | An organisational chart (or) Description of organisational structure. |
| 9.1.2 Members provide a clear description of roles and performance expectations. | <ul style="list-style-type: none"> Job descriptions or terms of reference for staff and for key volunteers i.e. those that fill formal roles in the organisational structure. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> Dedicated human resources are assigned to key areas of organisational responsibility. Periodic reviews are undertaken of the human resource needs of the organisation. Guidelines are documented for the recruitment of local staff in country offices. Periodic reviews are undertaken to assess the organisation's diversity profile. | |

| 9.2 We protect, value and support our people. | |
|---|--|
| Compliance Indicators | Verifiers |
| 9.2.1 Members provide professional development opportunities for staff and key volunteers. | <ul style="list-style-type: none"> A record of professional development undertaken by staff and key volunteers. |
| 9.2.2 Members enable staff and volunteers to make complaints and report wrongdoing through fair, transparent and accessible procedures. | <p>Both of the following must be in place for all members:</p> <ul style="list-style-type: none"> A policy or guideline which: <ul style="list-style-type: none"> Must meet complaints handling requirements in 7.3.2. Is clearly accessible to all staff and volunteers. Provides clear processes that are safe and confidential. A whistleblowing policy that has the following components as a minimum: <ul style="list-style-type: none"> A clear statement that staff, volunteers, contractors and partners who are aware of possible wrongdoing have a responsibility to disclose that information. A guarantee that staff and volunteers who in good faith disclose perceived wrongdoing will be protected from adverse employment consequences. The establishment of a fair and impartial investigative process. Provides protection for whistle-blowers. |
| 9.2.3 Members protect the safety, security and well-being of staff and volunteers. | <ul style="list-style-type: none"> Policy, procedure or guidance document outlining the requirements for the safety, security and travel for staff and volunteers. Appropriate travel insurances. |

| | |
|---|---|
| | <ul style="list-style-type: none"> ● Guidelines for staff travelling. ● Anti-bullying and anti-sexual harassment policies. ● Workplace, Health and Safety policy and training for staff and volunteers. ● Governing body, staff and volunteers are aware of and have access to training in issues related to diversity and anti-racism. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> ● A focal point for Occupational Health and Safety is in place. ● Counselling support services are available to staff. ● Organisation, staff and volunteers are aware of and have access to a range of professional development opportunities across and outside the sector. ● An incident register is maintained and periodically reviewed by organisation management and governing body. | |

| | |
|---|---|
| 9.3 We manage our people effectively and fairly. | |
| Compliance Indicators | Verifiers |
| 9.3.1 Members are fair, transparent and non-discriminatory in their management of staff and volunteers. | <p>Human resource policies and procedures which address:</p> <ul style="list-style-type: none"> ● Recruitment and selection. ● Remuneration and benefits. ● Equity, and diversity and anti-racism. ● Staff learning and development. ● Performance management. ● Family and carer leave provisions. ● Conduct in the workplace. ● Integrity (including confidentiality and conflict of interest). ● Grievance and disciplinary procedures. ● Workplace health and safety. ● Reference checking and vetting for former misconduct of all staff and volunteers. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> ● A dedicated governing body member or staff person for human resource management is appointed. ● Organisation complies with the National Standards for Volunteer Involvement. ● Merit-based and transparent processes for filling vacancies are in place. ● Members seek out racial diversity and representation in their staff and volunteers, which reflects the Australian community and the communities they serve. ● Members report publicly on diversity and representation in their staff and volunteers. | |

9.4 We enable our people to conduct themselves professionally and according to our stated values.

| Compliance Indicators | Verifiers |
|--|---|
| 9.4.1 Members specify the expectation of professional conduct of all staff and volunteers. | <ul style="list-style-type: none"> ● A documented code of conduct that specifies the values and expectations of professional conduct of all staff and volunteers. This must include reference to child safeguarding behaviours, prevention of sexual exploitation and abuse, transactional sex, anti-racism, anti-bullying and sexual harassment; and an obligation on staff and volunteers to report wrongdoing. |
| 9.4.2 Members' staff and volunteers work in accordance with agreed standards of practice. | <ul style="list-style-type: none"> ● Members provide all staff with information about the ACFID Code of Conduct and opportunities for associated training. ● Members provide staff and volunteers with information about and training in other Codes and Standards as relevant to their roles (for example the Core Humanitarian Standards, and International Humanitarian Law for those working in conflict affected areas or fragile states). ● Documented evidence of induction, pre-deployment and refresher training provided to all staff and volunteers on the member's code of conduct and key policies including child protection, prevention of sexual exploitation, abuse and harassment, complaints and whistle blowing. |
| Good Practice Indicators | |
| <ul style="list-style-type: none"> ● Organisation governing body and staff undertake ACFID Code of Conduct training. ● Pre-deployment training covers scenario-based discussions about power imbalances, status and workplace cultures of the destination country and how these impact work and personal relationships. ● A diversity and anti-racism focal person is in place. | |

5. Additional issues for discussion

Misconduct Disclosure Scheme

What is the issue?

- The [Misconduct Disclosure Scheme](#) was launched in January 2019 to address the specific problem of known sexual abusers moving between organisations undetected.
- Our sector committing to a scheme of this kind is one of the outstanding recommendations of the independent review into sexual misconduct commissioned by ACFID alongside our members in 2018.
- The Misconduct Disclosure Scheme is currently implemented by over 170 organisations worldwide. To date, more than 29,000 checks have been conducted, resulting in over 140 applications being rejected at the final stage of recruitment.
- A small number of ACFID members have already implemented the scheme within their organisations.

Proposed change

It is proposed that the Misconduct Disclosure Scheme be included as a Good Practice Indicator at Commitment 1.5.

| Good Practice Indicators |
|---|
| <ul style="list-style-type: none">• Members limit the use of non-disclosure agreements in grievance processes.• Members display statements about their commitments to PSEA and their complaints process in public places such as at head office and country offices and at project sites (in local language).• Members participate in sector-wide initiatives designed to prevent perpetrators of sexual misconduct moving between organisations, for example the Misconduct Disclosure Scheme. |

Review of Good Practice Indicators

What is the issue?

- Good Practice Indicators (GPIs) describe a higher standard of practice than that set out in the Compliance Indicators. Members may work towards achieving the GPIs over time.
- Since the last revision of the Code, there has been an assumption that if all members are achieving a GPI that this requirement could be moved into a Verifier. Another option could be to remove some of the high achieving GPIs altogether.
- Based on Code reporting data, the GPIs most identified by members as achieving are:

| Commitment | Good Practice Indicator | % of members achieving |
|------------|---|------------------------|
| 8.2 | Qualified staff with responsibility for financial management and oversight are in place. | 90.74% |
| 7.4 | The governing body Chair does not also occupy the position of Chief Executive Officer or equivalent. | 88.89% |
| 8.2 | Organisation governing body formally reviews income and expenditure on at least a quarterly basis. | 87.96% |
| 1.1 | A human rights or rights based approach is integrated into programming. | 87.04% |
| 1.4 | Commitment to child safeguarding is promoted to the public and external stakeholders. | 85.19% |
| 8.2 | Regular analysis of internal systems is undertaken to identify areas that need to be monitored and updated. | 85.19% |
| 4.1 | Materials outlining vision, mission and values, are available to partners and primary stakeholders in accessible forms. | 84.26% |
| 5.1 | Regular partner and/or collaborator meetings take place where open feedback and dialogue is facilitated. | 84.26% |
| 6.1 | A communications focal person is in place. | 83.33% |
| 7.2 | Periodic reports are provided to the organisation governing body on legal and compliance obligations. | 83.33% |

Discussion questions

- Which, if any, of these GPIs should be incorporated into a Compliance Indicator / Verifier?
 - What would be the benefit of doing so, and what would be the impact on members?
- Which, if any, should be removed entirely?

Commitment 7.4 – Term limits of responsible persons

| 7.4 We have responsible and independent governance mechanisms. | |
|--|--|
| Compliance Indicators | Verifiers |
| 7.4.1 Members have a governing body. | <p>A governing instrument, charter or policy that meets ACNC governance standards and also sets out:</p> <ul style="list-style-type: none"> • The processes for selection, appointment and induction of responsible persons and any provisions for termination. • Clear term limits and number of consecutive terms a responsible person may serve. • A requirement for the majority of the responsible persons to be non-executive. • The approach to remuneration and expense reimbursement of responsible persons. |

What is the issue?

- The current verifier for 7.4.1 includes a requirement that a governing instrument sets out ‘clear term limits and number of consecutive terms a responsible person may serve.’
- The intent of this verifier is to ensure that there is regular turnover on Boards.
- However, the current wording is ambiguous in terms of whether a responsible person may serve indefinitely. The current wording does not explicitly prevent indefinite term limits. This is how it has been interpreted by ACFID and members to date.
- The ACNC recommends defined term limits but supports special dispensation by special resolution of members.
- It is not uncommon for members’ governing instruments to outline clear term limits, but allow responsible persons to serve an indefinite number of consecutive terms. This is often most seen in the context of founding persons, who may have an ongoing seat on the Board.

Proposed change

A new Good Practice Indicator at Commitment 7.4.

| 7.4 We have responsible and independent governance mechanisms. | |
|---|--|
| Good Practice Indicators | |
| <ul style="list-style-type: none"> • The governing body Chair does not also occupy the position of Chief Executive Officer or equivalent. • Periodic reviews of the effectiveness of organisation governing body are undertaken. • A ‘Conflict of Interest’ register is maintained and ‘Conflict of Interest’ is a standing agenda item at governing body meetings. • <u>Members seek out gender and safeguarding expertise as desirable skills and experience when recruiting new persons to the governing body.</u> • The member’s governing instrument, charter or policy sets maximum term limits. | |