

# Board Composition and Performance Policy

## An overview of this Policy:

### 1 Policy Aim

Community CPS Australia Ltd ('Community CPS') recognises the importance of ensuring that the Board can demonstrate:

1. **independence** by discharging its review and oversight role effectively and independently of the interests of management and competing or conflicting interests;
2. **expertise** by the Board having the necessary expertise to fulfil its role and functions and having access to independent expertise not readily available amongst the current directors;
3. **diligence** by discharging its duties and responsibilities carefully and conscientiously;
4. **prudence** by having a clear focus on the prudent management of Community CPS;
5. **transparency** by being open and honest in its dealings on behalf of Community CPS;
6. **oversight** by being able to satisfy itself that the management and operation of Community CPS conforms with its strategy, direction and policies; and
7. **member commitment** by representing all Community CPS members.

It is important that the Board be comprised of directors who have suitable skills and experience and that the Board remains open to new ideas and independent thinking, while retaining adequate expertise. This policy addresses the need to review regularly the independence, skills and experience of the Board as a group in order to enable the identification and filling of any gaps in the experience and skills considered necessary.

### 2 Australian Prudential Regulation Authority (APRA)

APRA is the prudential regulator of the Australian financial services industry.

The Community CPS Australia Group (CCPS Group) consists of CCPS and several subsidiaries. CCPS is an authorised deposit-taking institution (ADI) and is regulated by APRA in accordance with the *Banking Act 1959* (the Act). CCPS is the only CCPS group member that is an ADI. As an ADI, CCPS must adhere to APRA's prudential requirements at all times.

This policy is designed to comply with the requirement of Prudential Standard APS 510 Governance, which requires the Board of an ADI to have a policy on Board renewal and procedures for assessing Board performance.

### Who should use this Policy:

The Board of Directors.

### Member and or internal Customer Service Expectation:

### External References applicable to this Policy:

## **Risk Consequences:**

Non adherence to this policy may result in the Community CPS Board not having the balance of skills, experience, and independence that is appropriate to the nature and extent of Community CPS' operations. It may also result in non-compliance with APS 510 and adversely impact on APRA's PAIRS rating for Community CPS.

## **The Obligations of this Policy:**

### **1 Policy Maintenance**

#### **1.1 Authority to Exercise Rules**

The Company Secretary is responsible for identifying any changes to the requirements of APS 510 and recommending appropriate policy amendments to the Board Governance Committee.

#### **1.2 Authority to Amend Policy**

Proposed amendments to this policy must be submitted by the Company Secretary to the Board via the Board Governance Committee for approval.

#### **1.3 Policy Review**

The policy is to be reviewed by the Board Governance Committee as the need arises or at intervals not exceeding 24 months.

#### **1.4 Owner**

Board of Directors.

### **2 Board/Director Requirements**

#### **2.1 Number of Directors**

It is a requirement of APS 510 that an ADI have a minimum of 5 directors at all times. The Board must have a majority of independent directors at all times and the chairman of the Board must be an independent director.

The minimum number of directors is as per Rule 13.1(1) of the Community CPS Constitution and may comprise:

1. directors elected by members;
2. not more than two directors appointed by the Board; and
3. the Credit Union's Chief Executive Officer ('CEO') who the Board, in its discretion, may appoint as a director. If the CEO is appointed as a director then that position will not be counted in determining the minimum number of directors.

The maximum number of directors is as per Rule 13.1(2) of the Community CPS Constitution (subject to the requirements of Rule 1.6(8) of the transitional provisions).

#### **2.2 Eligibility to be a director**

In accordance with Rule 13.2 of the Community CPS Constitution an individual is eligible to be a director if the person:

1. is a member (unless he/she is a director appointed by the Board);
2. is not a current employee of the Credit Union [unless the person is the CEO] and has not been an employee of the Credit Union in an executive capacity within the 3 year period immediately prior to the closing of nominations for an election;
3. has been a member continuously for a period of at least 3 years (unless otherwise determined by the Board) when the person is nominated as a candidate for election as a director [unless the person is a director appointed by the Board or the CEO];

4. has not had a personal representative or trustee appointed to administer the person's estate or property because of their mental incapacity;
5. is not a minor;
6. is not disqualified or prevented by law from being a director of the Credit Union; and
7. meets the Credit Union's policy requirement of fitness and propriety for directors.

An individual who is elected or appointed to the Community CPS Board must demonstrate a commitment to represent all Community CPS members.

### **2.3 Term of Office**

In accordance with Rule 13.6 of the Community CPS Constitution:

1. An elected director's term of office is three years unless the director rotation provisions of the Community CPS Constitution apply;
2. The term of office of an appointed director or the CEO as a director starts at the time of the Board resolution appointing the person as a director and ends at the end of the time specified in the Board resolution appointing the person as a director;
3. The term of office of the CEO as a director ends if and when the person ceases to be the CEO; and
4. An elected director is not eligible to be re-elected if, at the time of his or her re-election, his or her cumulative period in office would be 9 years or more from the time he or she was first elected, re-elected, or appointed after 1 July 2007.

### **3 Independence**

APRA Prudential Standard APS 510 on Governance requires that the Board must have a majority of 'independent directors' at all times and that the Chairman of the Board must be 'independent'.

Community CPS maintains a Board approved Independence of Directors policy.

### **4 Skills Audit**

#### **4.1 Audit of Board Skills Experience and Behavioural Attributes (Board Skills Audit)**

At least on an annual basis, the Board Governance Committee will initiate an audit of the Board's skills and experience. The skills and experience of each director will be documented. During the conduct of this review, the Board must consider and document the skills, experience, and behavioural attributes required to govern Community CPS, both at the present time and in the future, to ensure Community CPS' strategic goals can be achieved. Gaps in the required skills and experience and behavioural attributes will be documented and a strategy developed to close those gaps. The strategy will consist of, but not be limited to, the training of an existing director or directors, the appointment of new directors, and the maintenance of a Board Succession Plan.

The Community CPS Constitution provides that not more than two directors can be appointed directors (refer to section 6.4 of this policy). The Board may, by resolution at any time, appoint a person as an appointed director. The Board will consider the appointment of a suitably qualified and/or experienced person as a director if considered necessary to address an identified board skills gap.

### **5 Performance Appraisal**

#### **5.1 Formal Appraisal of the Board's Performance and of Individual Directors**

It is a requirement of APS 510 that an ADI have procedures for assessing Board performance.

On at least an annual basis, a formal appraisal of the performance of the Board, and of each individual director, will be conducted and documented. One of the objectives of these reviews

is to ensure that all directors remain up to date in both their skills and knowledge of Community CPS and the industry in which it operates. Appropriate action will be taken to address any deficiencies in skills and/or knowledge.

Director appraisals are considered an opportunity for continuous improvement and enhancing corporate governance. Actions to be taken to overcome deficiencies will be addressed on a case-by-case basis by the Chairman in consultation with the director. Underperforming directors will be counselled privately by the Chairman and an agreed course of action documented. Actions to be taken may include the development of a personal development plan and, if performance does not improve, the Chairman will discuss the option of resignation with the Director. An annual review of the Chairman's performance will be conducted by the Board.

Community CPS maintains a Board-approved Board Member Professional Development policy.

## **6 Board Renewal**

### **6.1 Criteria for assessing candidates who have been nominated for election as a director**

The Board must develop and document a set of model criteria which address the skills, experience and behavioural attributes against which the Nomination Committee must assess candidates who have been nominated for election as a director. In developing the model criteria, the Board will take into account the gaps identified by the formal annual review of the director's skills and experience.

### **6.2 Nomination Committee**

In accordance with the Community CPS Constitution, the Board must establish a Nomination Committee to assess against the model criteria the candidates who have been nominated for election as a director.

### **6.3 Candidate Assessment**

All candidates who have been nominated for election as a director must:

1. give the Nomination Committee a declaration (in such form as the Board may require from time to time) confirming that he/she satisfies any eligibility requirements for election as a director that are imposed by the Community CPS Constitution, the Corporations Act, the Banking Act or any other legislation or Prudential Standard; and
2. submit to an interview with the Nomination Committee.

The Nomination Committee must give to the Board a candidate report in relation to each candidate it has interviewed advising whether the candidate:

1. has demonstrated the skills, experience and behavioural attributes (as assessed against the model criteria) to be a director; and
2. is of appropriate fitness and propriety to be and act as a director (by reference to the Community CPS fit and proper policy).

A person who has not demonstrated the skills, experience and behavioural attributes (as assessed against the model criteria) to be a director, and/or assessed as not being of appropriate fitness and propriety, ceases to be eligible for election or re-election as a director.

### **6.4 Retiring Directors Standing for Re-election**

The provisions in relation to assessment of candidates by the Nomination Committee apply equally to retiring directors standing for re-election.

## **6.5 Appointed Directors**

Where the Board seeks to appoint a person as a director pursuant to Rules 13.4 or 13.5 of the Constitution, the Board will use the annual review of Board Skills Audit as a basis for identifying persons to be approached and invited to join the Board. Whilst any person so approached is not subject to assessment by the Nomination Committee the person must:

1. satisfy the requirements of the Community CPS Fit and Proper policy; and
2. demonstrate an ability to be a director as assessed against the latest Board approved model criteria.

### **Acceptable Deviations to this policy:**

Only as authorised by the Chairman of the Board of Directors in consultation with the Chairman of the Board Governance Committee.