

Corporate Governance Charter

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1. Introduction

The Corporate Governance Charter ('Charter') and the Community CPS Constitution ('Constitution') are the documents that guide all governance and business administration at Community CPS Australia Limited ('Community CPS').

The Charter sets out guidelines for Community CPS Officers to follow in their governance practice: setting and implementing Community CPS' strategy, overseeing and controlling its operations and ensuring conformance to legal and voluntary obligations.

2. Role of the Board

2.1 The Community CPS Board ('Board') has the final responsibility for the successful operations of Community CPS. It is responsible for and has authority to determine all matters relating to the policies, practices, management and operations of Community CPS. It is required to do all things that may be necessary to do in order to carry out the objectives of Community CPS.

2.2 The Board closely monitors the decisions and actions of the Chief Executive Officer ('CEO') and the performance of the Community CPS Group to gain assurance that progress is being made towards the strategic goals. The Board also monitors the performance of the Community CPS Group through various committees.

2.3 The Board is specifically responsible for the Community CPS Group's:

- strategy and policy;
- planning and budgeting;
- regulatory compliance;
- key personnel - CEO; and
- reporting to members.

The Board is also responsible for the remuneration policy which applies to the CEO, executive officers and other persons as required by APRA Prudential Standard APS 510 Governance ('APS 510').

3. Relationship between the Board and Management

The Board's role is to 'govern' Community CPS, rather than to 'manage' it. It is the function of the CEO and the executive officers to manage Community CPS in accordance with the direction of the Board. Directors apply their knowledge, skills and judgment to strategic and policy issues and to the financial performance and financial position of Community CPS.

3.1 Delegations of Authority

3.1.1 All matters not specifically reserved for the Board, and necessary for the day to day management of the Community CPS Group to achieve the Community CPS Group's strategic goals, are delegated to the CEO. The CEO is free to take all decisions and actions which, in the CEO's judgment, are appropriate having regard to the limits imposed by the Board. The CEO remains accountable to the Board for the authority that is delegated and for the performance of the Community CPS Group. The authority is delegated via the Board delegations of authority policy.

3.2 Access to information

- 3.2.1 To assist in fulfilling their responsibilities, Directors are entitled and encouraged to ask management, through the CEO, any questions relevant to the management of Community CPS.
- 3.2.2 Directors are encouraged to seek information from external sources concerning developments in the finance and business sectors relevant to the activities of Community CPS.

3.3 Performance of Community CPS

- 3.3.1 The Board ensures that management maintains a reliable system for gathering and reporting relevant information on the performance of Community CPS. This permits information to be provided to the Board on outcomes in the six corporate 'pillars' that underpin the Community CPS business model:
- Community Membership;
 - Members;
 - Financial Performance;
 - Process and Technology;
 - People; and
 - Leadership and Corporate Governance.

4 Board Membership

4.1 Composition and Size

- 4.1.1 The Constitution provides for a minimum of seven Directors with not more than two being appointed Directors.
- 4.1.2 Subject to requirements of the Constitution, the Board may determine the maximum number of Directors from time to time.

4.2 Appointment of New Directors

- 4.2.1 The members may appoint a person to be an elected Director by an election held under the relevant provisions of the Constitution.
- 4.2.2 The Board may, by resolution at any time, appoint a person as an appointed Director.
- 4.2.3 The Board may appoint the CEO as a Director.

4.3 Retirement from the Board

- 4.3.1 An elected Director's term of office starts at the end of the AGM at which the Director's election is announced and ends at the end of the third AGM after the AGM at which the Director's election is announced.
- 4.3.2 A board resolution appointing an appointed Director or the CEO as a Director must specify the Director's term of office
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4.4 Maximum Tenure

- 4.4.1 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 nine years or more from the time he or she was first elected, re-elected, or appointed after 1 July 2007.

4.5 Independence

- 4.5.1 It is a requirement of APS 510 that the Board of a regulated institution, which includes Community CPS, must have a majority of independent Directors.
- 4.5.2 The Nomination Committee will assess, at least annually, the independence of Directors.
- 4.5.3 Community CPS defines an independent Director as a non-executive Director who is free of any business or other association – including those arising out of a substantial shareholding or involvement in past management, or from being a supplier, customer or adviser – that could materially interfere with the exercise of their independent judgment.
- 4.5.4 When assessing the independence status of a Director, the Nomination Committee will consider whether the Director:
- 4.5.4.1 is a member of management of the Community CPS Group;
 - 4.5.4.2 has previously been employed in an executive capacity by Community CPS or another Group member and, if this is the case, whether there has been a period of at least three years between ceasing such employment and serving on the Board;
 - 4.5.4.3 has been within the last three years a principal of a material professional adviser or a material consultant to Community CPS or another Group member, or an employee materially associated with the service provided;
 - 4.5.4.4 is a material supplier of Community CPS or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier;
 - 4.5.4.5 has a material contractual relationship with Community CPS or another Group member other than as a Director; and
 - 4.5.4.6 has served on the Board of Community CPS for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Community CPS Group.
- 4.5.5 In certain circumstances a Director may be considered by the Nomination Committee to be independent where the Director does not meet one or more of the specified criteria. The Board must disclose such an assessment in the Community CPS Annual Report.

4.6 Induction and Training

- 4.6.1 When a new Director joins the Board, the Chairman, in conjunction with the Company Secretary, arranges an appropriate induction program that provides the necessary information on:
- Board processes;
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- Community CPS governance practices;
- Board policies;
- Community CPS strategy and operations;
- financial administration of a credit union;
- the Credit Union Movement and finance industry; and
- the regulation of the finance industry.

4.6.2 Each year, all Directors are required to undertake a professional development program:

4.7 Conduct and Expectations

4.7.1 It is Community CPS policy is that its Directors and staff maintain the highest ethical standards in line with the Community CPS Code of Conduct. Community CPS also adheres to the Mutual Banking Code of Practice.

4.7.2 Each Director is expected to:

4.7.2.1 understand the needs of the Credit Union Movement generally;

4.7.2.2 be familiar with Community CPS' goals and policies;

4.7.2.3 guide and monitor the management of Community CPS;

4.7.2.4 be familiar with the risk management plan and internal control framework operating within Community CPS;

4.7.2.5 maintain "decision solidarity". Once decisions have been made, all Directors are expected to support the decision even though they may not have individually voted for it;

4.7.2.6 make available their expertise in the best interests of the Board's operations; and

4.7.2.8 acquire the appropriate information and expertise.

4.8 Fitness and Propriety

4.8.1 Community CPS maintains a fit and proper policy to help ensure compliance with APRA Prudential Standard APS 520 Fit and Proper ('APS 520'). A primary objective of APS 520 is to ensure that persons who are responsible for the management and oversight of an authorised deposit-taking institution (ADI) have appropriate skills, experience, and knowledge, and act with honesty and integrity.

4.8.2 The Nomination Committee must assess each person who is nominated as a candidate for an election of Directors' or who is a retiring elected Director standing for re-election, and whether it is satisfied that the person is fit and proper to be and act as a Director, by reference to the Community CPS fit and proper policy.

5. Board Meetings

5.1 Meetings and proceedings of the Board are governed by the relevant rules of the Constitution.

5.2 Unless otherwise agreed, the Board will meet at least ten times each year.

- 5.3 Special meetings may be convened as required. Under Community CPS' Constitution, the Chairman, any two Directors – or the Company Secretary if requested by the Chairman or any two Directors – may call a board meeting.
- 5.3 Board meetings may be scheduled at alternative locations and at alternative times as deemed necessary or appropriate by the Board from time to time.
- 5.4 To enable Directors to make themselves available for scheduled meetings, a calendar of Board meetings, committee meetings, significant other events and critical dates for the dispatch of documentation to Directors is maintained.
- 5.5 Attendees comprise all Board members, the CEO, Chief Financial Officer ('CFO'), Company Secretary and, by invitation, other persons. Directors may also from time to time conduct a meeting, or part of a meeting, without any of the management present.

Other employees or external 'subject matter experts' may be invited to attend meetings or to make presentations to the Board from time to time, to assist the Board with matters relating to their areas of responsibility/expertise.

- 5.6 The agenda and supporting papers are circulated to all participating officers by the Company Secretary, where possible, one week prior to the time for commencement of the meeting.
- 5.7 Directors are expected to have read the Board papers prior to the meeting so they may properly participate in the meeting.
- 5.8 Board meetings may be held using any technology consented to by all the Directors.
- 5.9 Decisions of the Board may be made:
- 5.9.1 at a duly called and constituted meeting by a resolution passed by a majority of the votes cast by Directors entitled to vote on the resolution; or
 - 5.9.2 by a resolution in writing to all Directors signed by a majority of Directors entitled to vote on the resolution.

6. Quorum

- 6.1 The quorum is:
- (a) if the number of Directors is divisible by two, one half the number of Directors plus one;
or
 - (b) if the number of Directors is not divisible by two, round fractions up to the nearest whole number in determining how many Directors are required for a quorum; or
 - (c) such other number as the Board determines;

and the quorum must be present at all times during the meeting.

7. Minutes

7.1 Minutes are prepared for each Board meeting.

7.2 The draft minutes of each Board meeting are to be reviewed by the Chairman, within five working days of the completion of the meeting, for their comments. The draft minutes are circulated to all Directors by the Company Secretary as soon as practical and, at the latest, with the agenda and Board papers for the next scheduled Board meeting.

8. Role of the Chairman

8.1 The Chairman is appointed by the Board.

8.2 The Chairman has specific responsibility to:

8.2.1 lead and guide the Board – ensuring a high level of cohesion, morale and commitment – and accept primary responsibility for the Board's performance;

8.2.2 ensure the Board exercises its full range of responsibilities;

8.2.3 set goals for achieving progress in the direction the Board determines and regularly review progress towards attaining those goals;

8.2.4 maintain a 'balanced' Board membership in terms of skills, qualities and expertise;

8.2.5 ensure the full participation of all Board members in the Committee's activities;

8.2.6 demonstrate a high level of commitment to credit union philosophies, values and ethics, through the workings of the Board;

8.2.7 chair Board and members' meetings and facilitate discussion at Board meetings in a manner that leads to effective use of time and commitment to Board decisions;

8.2.8 ensure that all relevant issues are on the Board's agenda, and that all required information (including, where appropriate, external advice) is submitted to the Board in a timely fashion;

8.2.9 ensure, in consultation with the CEO, that decisions of the Board are implemented;

8.2.10 on behalf of the Board, take a leadership role within the credit union movement;

8.2.11 ensure the completion of the Board and Director performance reviews at least annually, and discuss with each Director on his/her performance; and

8.2.12 ensure the completion of CEO performance reviews at least annually.

9. Role of the Deputy Chairman

9.1 The Deputy Chairman is appointed by the Board.

9.2 The Deputy Chairman has specific responsibility to:

9.2.1 work closely with, support and assist the Chairman in carrying out the key objectives of that position;

9.2.2 act as Chairman in the incumbent's absence;

- 9.2.3 possess, to a significant degree, the key competencies and behaviours documented in the Chairman's Position Description ;
- 9.2.4 fully meet all the the key competencies and behaviours expected of a Director;
- 9.2.5 with the Chairman, annually evaluate the performance of the CEO and make a recommendation to the Board in relation to the amount of the performance bonus, if any, that the CEO is entitled to for his/her performance during the last financial year; and
- 9.2.6 with the Chairman review succession planning for the CEO position.

10 Role of Directors

- 10.1 Elected directors are appointed by members. Appointed directors, (not exceeding two) are appointed by the board.
- 10.2 The specific responsibilities of directors are to:
 - 10.2.1 Carefully analyse all material submitted to the board, and if required seek;
 - 10.2.2 further information and where appropriate challenge information contained therein;
 - 10.2.3 Ensure Community CPS, the board and he/she adheres to financial, legislative and compliance requirements, and acts in accordance with all relevant rules and guidelines. Bring any shortcomings in these areas to the attention of the board;
 - 10.2.4 Monitor on an ongoing basis the financial viability of Community CPS, and promptly bring any matters of concern to the board;
 - 10.2.5 Actively participate in board committees as required; and
 - 10.2.6 Undertake training and professional development activities.

11. Role of the CEO

- 11.1 The CEO is authorised to take all decisions and actions which, in the CEO's judgment, are appropriate having regard to the limits imposed by the Board.
 - 11.2 The CEO remains accountable to the Board for the authority that is delegated and for the performance of the Community CPS Group.
 - 11.3 The CEO is required to attend all Board meetings and, in a spirit of openness and trust:
 - 11.3.1 keep the Board informed on all market place developments that may affect the business strategies of Community CPS or other credit unions and financial institutions;
 - 11.3.2 bring to the Board's attention opportunities that will enhance Community CPS' business strategies and outcomes;
 - 11.3.3 regularly report to the Board on progress towards achieving the strategic goals;
 - 11.3.4 report to the Board any occurrences of material internal control or compliance failures; and
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- 11.3.5 have knowledge of and review detailed figures, contracts and other information about Community CPS' affairs and financial position and summarise such information for the Board where appropriate.

12. Role of the Company Secretary

12.1 The Board is supported by the Company Secretary who is responsible for:

- 12.1.1 recording, maintaining and distributing the minutes of all Board meetings as required;
- 12.1.2 ensuring minutes of Board committee meetings are recorded, maintained and distributed in accordance with Community CPS standards;
- 12.1.3 preparing for and attending all members' meetings of Community CPS;
- 12.1.4 recording, maintaining and distributing the minutes of all members' meetings as required;
- 12.1.5 attending to statutory requirements relating to Community CPS' registered office, company statement and lodgement of other documents with ASIC;
- 12.1.6 providing and/or obtaining counsel for corporate governance principles and individual Director liability;
- 12.1.7 providing a point of reference for dealings between Board and management;
- 12.1.8 giving reasonable advance notice to every Director of a meeting of the Board, subject to provisions for shorter notice of a Board meeting as per the Constitution; and
- 12.1.9 any other relevant services the CEO or Chairman may require from time to time.

13. Key Board Functions

The Board has agreed that, in performing its role, its key functions include, but are not limited to:

13.1 Strategy

- 13.1.1 Ensuring that Community CPS adopts and undertakes a continuing cycle of analysis, planning, implementation and review of its strategy.
 - 13.1.2 The key dimensions to the Board's role in corporate strategy are:
 - 13.1.2.1 being involved in the development of, reviewing and setting the overall strategic direction of Community CPS;
 - 13.1.2.2 approving the Strategic Plan;
 - 13.1.2.3 monitoring progress in implementing strategic projects;
 - 13.1.2.4 monitoring outcomes in indicators of strategic change;
 - 13.1.2.5 questioning and challenging management on the pace and effectiveness of strategy implementation; and
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13.1.2.6 ensuring necessary corrective actions are implemented by management.

13.2 Risk Management

- 13.2.1 Ensuring that management defines, adopts and maintains a comprehensive system of risk management and compliance known as the Risk Management System. Through this system, management keeps the Board informed about, and enables Community CPS to minimise, the effects of risks confronting it.
- 13.2.2 Allocate adequate resources to the risk management function and ensure an appropriate organisational structure, strategic direction and staff training to permit regular risk reviews and reporting of risk issues.

13.3 Governance

- 13.3.1 The Board has adopted a best practice approach to corporate governance through the application of the Corporate Governance Principles and Recommendations, 2nd Edition, developed by the ASX Corporate Governance Council. APRA Prudential Standard APS 510 Governance provides further regulatory minimum governance requirements.
- 13.3.2 Whilst duties set out in the Corporations Act represent the minimum corporate governance requirements, the Board recognises that corporate governance best practice requires organisations to go beyond meeting their legal requirements.

13.4 Compliance

- 13.4.1 Ensuring that Community CPS defines, adopts and maintains comprehensive and reliable business and management systems to ensure that Community CPS is aware of and complies with its obligations under the law and codes.

13.5 Performance

13.5.1 Statutory and Key Group Financial Indicators

The Board agrees on, and management reports monthly, through the Board papers, on the significant indicators of Community CPS' financial position and financial performance, addressing:

- Group prudential requirements: capital; liquidity; and
- Group performance indicators, addressing: financial strength; asset quality; income ratios; growth; efficiency; profitability.

13.5.2 Financial Performance and Financial Position

Management reports outcomes monthly to the Board, via the Board papers, on:

- performance summary statistics;
- Group statement of financial performance; and
- Group statement of financial position.

The Board addresses this financial data in more depth each quarter.

13.5.3 Strategic Change Indicators

The Board approves, and ensures that management reports through, a 'scorecard' of performance indicators that appropriately measure the pace and effect of Community CPS implementing its strategic plan.

13.6 Relationship with Stakeholders

- 13.6.1 Communication with members and external parties is primarily considered to be a function of management other than in areas where established practices have been developed.
- 13.6.2 The following persons are authorised to speak with the media regarding the business of community CPS:
- Chairman;
 - CEO; and
 - other persons authorised by the Board or CEO.
- 13.6.2 The Board aims to keep members informed so they can assess the performance of Directors, management and Community CPS and provides:
- an annual report which is available to members in hard copy upon request and is accessible on the Community CPS website; and
 - detailed information at annual general meetings or any other members' meetings.

13.7 CEO Appointment, Performance and Remuneration

- 13.7.1 The Board is responsible for the appointment, remuneration, monitoring and termination of employment of the CEO.
- 13.7.2 The Board:
- 13.7.2.1 selects and, if necessary, terminates the employment of the CEO;
 - 13.7.2.2 through the Chairman and Deputy Chairman, annually evaluates the performance of the CEO;
 - 13.7.2.3 through the Chairman, and Deputy Chairman, reviews succession planning for the CEO position.
- 12.7.3 The Board Governance Committee in discharging the duties of a remuneration committee as required by APS 510 makes annual recommendations to the Board in relation to the CEO's remuneration.

13.8 Cascading of Decisions to Subsidiary Companies

- 13.8.1 The Directors of Community CPS fulfil their responsibility for guiding and monitoring subsidiary companies within the Community CPS Group in the following manner:
- the Directors of Community CPS approve the Group strategy and policies, etc. which are cascaded down through key operating subsidiaries as appropriate;
 - significant issues affecting subsidiary companies are brought to the attention of the Community CPS Board by way of ad hoc Board reports;
 - subsidiary company Board minutes are made available to Community CPS Directors; and
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- Community CPS Directors are appointed as Directors of subsidiaries.

14. Committees

In this section the term 'Committee' refers to Board Committees and Committees established by the Board. Committees established by the Board contain one or more members who are not Community CPS Directors.

14.1 Committees enable the workload of the Board to be shared and effectively carried out by delegating responsibility to appropriately qualified Directors and other Committee members to undertake a detailed review of critical functions performed by Community CPS. Committees can deal with matters in more detail and in a timelier manner than Board deliberations may generally allow.

14.2 There are three Board Committees:

14.2.1 Audit and Finance Committee

14.2.2 Risk Committee

14.2.3 Governance Committee

14.3 There is one committee established by the Board which has at least two members who are persons independent of the Credit Union:

14.3.1 Nomination Committee.

14.4 Other committees may be formed from time to time, as required.

14.5 Committees have terms of reference, approved by the Board, covering matters such as the Committee's:

- role and responsibilities;
- composition; and
- structure and membership requirements.

14.6 Formal minutes of each Committee meeting are prepared and circulated to the Directors. A verbal report is also provided at the next Board meeting.

14.7 Members and Chairs of Committees are appointed by the Board.

14.8 In determining the composition of a Committee the Board considers matters such as the Director's:

- qualifications;
- technical skills and expertise;
- industry knowledge; and
- ability for constructive questioning.

Consideration is also given to the:

- Director's interest in the work of the Committee; and
 - potential learning and development benefits for a Director in participating on a Committee.
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15. Declaration of Interest

- 15.1 Directors are required to avoid actual, potential or perceived conflicts of interest.
- 15.2 Community CPS has a conflicts of interest policy, its aim being to ensure the appropriate identification and management of conflicts of interest by all Community CPS Group Directors, General Managers and staff.
- 15.3 In addition the Community CPS Constitution contains provisions in relation to Directors' conflicts of interest.

16. Related Party Benefits

- 16.1 It is Community CPS policy not to give a financial benefit to a related party of Community CPS unless:
 - 16.1.1 the benefit falls into one of the exceptions contained in the Corporations Act; or
 - 16.1.2 Community CPS obtains the members' approval by following the procedures set out in the Corporations Act.
- 16.2 Related parties of Community CPS receive credit union products and services on the same terms and conditions as those available to members generally.
- 16.3 Transactions between Community CPS and Directors must always be made under normal commercial conditions.

17. General Meetings

- 17.1 Meetings and proceedings of members' meetings are governed by the relevant rules of the Constitution.
- 17.2 Directors are expected to attend the annual general meeting.

18. Access to Independent Advice

- 18.1 If a Director has deeply held concerns about a policy or proposal, the Director may request the Board's approval to seek independent professional advice on the issue. A Director may also seek the Board's approval, and financial support, to seek their own legal advice on a matter.

19. Evaluation of Board Performance

- 19.1 The Board undertakes periodic reviews and analysis of its conduct and performance and each Director also partakes in a cycle of reviewing and analysing their personal contributions. Plans are developed and agreed so that Directors will continue to meet the high expectations of members and regulators. If considered appropriate, the Board, on a regular basis, engages an external consultant to conduct a Board appraisal and Director assessments.

20. Boards of Subsidiary Companies

20.1 Board Composition and Size

The size and composition of each controlled entity Board is determined with reference to its constitution, nature of its business and having regard to applicable regulatory requirements.

20.2 Appointment of Non-Executive Directors

The appointment of Community CPS non-executive Directors to the Boards of controlled entities and their related tenure is subject to the approval of the Community CPS Board.

21. Review and publication of the Corporate Governance Charter

21.1 The Board will review and assess the adequacy of the Governance Charter at least every 24 months and make any appropriate amendments.

21.2 This Charter and the terms of reference for the Board Committees and committees established by the Board are available on the Community CPS website.

22. Inconsistency with Constitution

22.1 To the extent that there is any inconsistency between this Charter and the Constitution, the Constitution will prevail.
