

BP_1001 BOARD CHARTER

Version :	2.6
Approved By:	Corporate Governance Committee
Date Approved:	20 March 2019
Policy Owner:	Managing Director/Chief Executive

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1. OBJECTIVE

1.1 This Charter outlines the roles and responsibilities of the Board.

2. SCOPE

2.1 This Charter applies to all Directors and staff of People's Choice and any subsidiaries of People's Choice (the Group).

2.2 Nothing in this Charter will reduce or diminish any Directors' responsibilities under law, nor reduce any remedy for a breach of those responsibilities.

3. DEFINITIONS AND INTERPRETATION

3.1 **APRA** means Australian Prudential Regulatory Authority.

3.2 **ASIC** means Australian Securities and Investments Commission.

3.3 **Independent Director** means a Non-executive Director who:

3.3.1 Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of People's Choice;

3.3.2 Within the last three years has not been employed in an executive capacity by People's Choice or another Group member;

3.3.3 Within the last three years has not been a principal of a material professional adviser or a material consultant to People's Choice or

- another Group member, or an employee materially associated with the service provided;
- 3.3.4 Is not a material supplier or customer of People's Choice or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- 3.3.5 Has no material contractual relationship with People's Choice or another Group member other than as a Director.
- 3.3.6 Has no close family ties with any person who falls within any of the categories in 3.3.1 – 3.3.5 above or with other Directors and key management personnel of People's Choice or another Group member.
- 3.3.7 Without limiting the independence criteria set out above the key criterion for independence is whether a Director is able to exercise objective, unfettered and independent judgement in the best interests of the Company.
- 3.3.8 Where doubt exists as to whether a Director is an Independent Director, the matter will be referred to the Board which, after obtaining any appropriate advice, will make a determination. If considered appropriate, the Board may refer the matter to APRA.
- 3.4 **Non-executive Director** means a Director who is not employed by People's Choice or another Group member, either directly or indirectly.
- 3.5 **People's Choice** means Australian Central Credit Union Ltd trading as People's Choice Credit Union (the Company).

4. POLICY STATEMENT

Director Responsibilities

- 4.1 The Directors of People's Choice constitute the Board. Each is responsible as an individual and collectively for ensuring that People's Choice is well governed and operates in the best interests of the Company and its members.
- 4.2 Directors of People's Choice and any subsidiary of People's Choice will exercise their powers and discharge their duties in good faith and with due care, skill and diligence. Refer also to BP_1002 Board and Corporate Code of Conduct for behavioural principles.
- 4.3 In broad terms, the Board of People's Choice will:
- 4.3.1 Oversee People's Choice as a whole, including its control and accountability systems;
- 4.3.2 Appoint, remunerate and remove the Managing Director / Chief Executive;
- 4.3.3 Provide input into and final approval of corporate strategy (including vision statement, values and corporate identity) and performance and financial objectives;
- 4.3.4 Review and approve systems of risk management and internal compliance and control, codes of conduct and legal compliance and determine People's Choice's risk appetite;
- 4.3.5 Monitor executive management's performance and progress on implementation of strategy, and ensure appropriate resources are available;

- 4.3.6 Approve and monitor the progress of major capital expenditure, capital management, significant strategic commitments, mergers and acquisitions and divestitures;
 - 4.3.7 Assess the Group's financial position and performance and approval and monitor financial and other reporting;
 - 4.3.8 Ensure continuous improvement in the Company's performance;
 - 4.3.9 Ensure the structure of remuneration for People's Choice is linked to the achievement of People's Choice's objectives;
 - 4.3.10 Decide the nature of delegations to management and expenditure authorisation limits and approve expenditure above those levels; and
 - 4.3.11 Approve any significant changes in the legal structure of the Group.
- 4.4 The broad responsibilities referred to above are further defined into four key areas:
- 4.4.1 Providing strategic direction through:
 - 4.4.1.1 Input to annual and other planning activities and undertaking strategic analysis of proposed initiatives;
 - 4.4.1.2 Requiring executive management to draw up detailed strategic and business plans;
 - 4.4.1.3 Review of progress against plans in conjunction with the Managing Director / Chief Executive; and
 - 4.4.1.4 Holding management accountable for achieving the objectives of plans.
 - 4.4.2 Setting policy by requiring executive management to draw up detailed statements of policy including policies on:
 - 4.4.2.1 Financial management;
 - 4.4.2.2 Human resource management;
 - 4.4.2.3 Risk Management;
 - 4.4.2.4 Balance Sheet and Capital management;
 - 4.4.2.5 Delegations of authority; and
 - 4.4.2.6 Products and pricing.
 - 4.4.3 Providing accountability to shareholders, other stakeholders and the community through:
 - 4.4.3.1 Responsible reporting to members;
 - 4.4.3.2 Statutory/ regulatory compliance and reporting as required to relevant regulators such as APRA and ASIC;
 - 4.4.3.3 Reporting to lenders and other providers of funds;
 - 4.4.3.4 Review of audit reports; and
 - 4.4.3.5 Communicating with other key stakeholders including employees, alliance partners, suppliers, regulators and all other parties with which People's Choice might interact from time to time.
 - 4.4.4 Monitoring People's Choice's business performance by:
 - 4.4.4.1 Establishing Committees of the Board charged with the oversight of particular aspects of the business and with regular reporting to the Board;

- 4.4.4.2 Reviewing and approving annual budgets and financial position, including recognition of the carrying values of assets and liabilities, budget assumptions and strategic priorities, and regular review and questioning actual versus budget financial performance;
- 4.4.4.3 Regularly reviewing and questioning of progress against approved plans;
- 4.4.4.4 Monitoring control and corrective actions taken by management to perform according to approved plans; and
- 4.4.4.5 Assessing compliance with the letter and spirit of regulatory requirements as well as with operating policies and practices to ensure People's Choice meets its statutory, regulatory and fiduciary obligations.

Size and Composition of the Board

- 4.5 The Corporate Governance Committee will regularly assess the composition and size of the Board of Directors and make recommendations to the Board of Directors if any alterations are warranted.
- 4.6 Notwithstanding this, the composition of the Board will at all times be within the parameters as set out in the Constitution:
 - 4.6.1 The total number of Directors will be no fewer than 4 member elected Directors.
 - 4.6.2 Member elected Directors will at all times constitute a majority of Directors.
- 4.7 The Board will have a majority of Independent Directors at all times.
- 4.8 The Chair of the Board will be an Independent Director and cannot have been the Chief Executive of People's Choice at any time during the previous three years.

Criteria for Board Membership

- 4.9 Each Director will bring to the People's Choice Board the following minimum competencies:
 - 4.9.1 Personal Attributes:
 - 4.9.1.1 Effective communication, decision making and team skills;
 - 4.9.1.2 A high level of integrity;
 - 4.9.1.3 Objectivity; and
 - 4.9.1.4 Time management and personal organisation skills to manage Director responsibilities, and time to commit to the Board.
 - 4.9.2 Skills:
 - 4.9.2.1 Strategic planning and monitoring;
 - 4.9.2.2 Corporate policy evaluation;
 - 4.9.2.3 Critical analysis and questioning; and
 - 4.9.2.4 Ability to separate the duties and responsibilities of a Director from management.
 - 4.9.3 Knowledge of:
 - 4.9.3.1 Roles, responsibilities and obligations of Directors of People's Choice;

- 4.9.3.2 Legislative framework within which People's Choice operates;
 - 4.9.3.3 Principles of corporate governance and risk management;
 - 4.9.3.4 Application of financial policy;
 - 4.9.3.5 The financial services sector; and
 - 4.9.3.6 The mutual sector.
- 4.10 A Director will have attended the Company Directors course through the Australian Institute of Company Directors.
- 4.11 A Director will desirably be a person who holds a tertiary qualification in a business discipline or can clearly demonstrate leadership in business.
- 4.12 In addition to the minimum competencies outlined above, the Corporate Governance Committee will, as may be required from time to time, develop a set of "specialist" criteria relative to membership of the Board of Directors.
- 4.13 Any specialist criteria developed pursuant to paragraph 4.13, will have regard to the overall skill, experience and expertise needs of the Board and be presented to the Board of Directors for approval. Other information to be considered as part of the review includes prevailing environmental and operational conditions and outcomes from the most recent Board assessment process.

Board Refreshment and Renewal

- 4.14 The Board recognises the importance of refreshment and renewal of individual Directors as well as the Board as a whole.
- 4.15 It is the responsibility of individual Directors to refresh and renew their knowledge specific to People's Choice and the environment in which it operates, as well as in a general sense, on a regular basis. Further, each Director will be independent in their thinking and this will be maintained over time such that the Director makes their own judgement based on the present situation. Each Director will be able to demonstrate their own refreshment and renewal process to the Board and relevant third parties as required.
- 4.16 Directors are encouraged to utilise the annual Director Development allocation described in Board policy BP_1007 – Director Professional Development as a means of fulfilling their individual refreshment and renewal obligations.
- 4.17 The Board will renew itself in order to remain open to new ideas and independent thinking, while retaining adequate expertise. As a general principle – excluding changes brought about by a significant merger – this renewal will be achieved if there is a change in Board composition to the extent of two new Directors (in place of two retiring Directors) in any four year period.
- 4.18 The Corporate Governance Committee will undertake the review of the Board's refreshment and renewal after each Annual General Meeting (AGM) and make recommendations to the Board to address any issues that may be identified.
- 4.19 The review process will also give consideration to whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of People's Choice.

- 4.20 The Board recognises that it has confirmed in writing to APRA that all Directors in place as at May 2014 will have retired from the Board by the conclusion of the 2021 AGM. The Board recognises the importance of maintaining continuity of knowledge and experience alongside the introduction of Directors with new ideas as a key component of an orderly transition process to meet the renewal commitment timeframe to APRA. Each annual review will consider this in the light of any unplanned changes to the Board composition as a result of the most recently completed Director Election.

5. RESPONSIBILITIES

General

- 5.1 The Board will provide strategic direction and oversee matters necessary to achieve continued improvements in the value and performance of People's Choice. The Board Committees will assist it in this role, in accordance with their respective Terms of Reference.
- 5.2 The Managing Director / Chief Executive is responsible for the operational implementation of the Board's objectives.

The Board will:

- 5.3 Complete its responsibilities as outlined in clauses 4.1 to 4.5 of this Charter.
- 5.4 Oversee the maintenance of positive and mutually beneficial relationships with key stakeholders.
- 5.5 Monitor changes in the business environment and assess the strategic implications of these for People's Choice.

Values and communication

- 5.6 The Board will have in place:
- 5.6.1 A clear statement of values;
 - 5.6.2 Ethical standards for the conduct of Directors and staff;
 - 5.6.3 Consultation and communication strategies; and
 - 5.6.4 Processes to ensure members have access to all information reasonably necessary to assess the performance of People's Choice (for example, annual reports, Annual General Meetings, newsletters, information on the People's Choice website).

Directors

- 5.7 The Board will maintain and regularly review BP_1002 Board and Corporate Code of Conduct.
- 5.8 Each Director will comply with the Board and Corporate Code of Conduct.
- 5.9 Each Director will be a resident of Australia.
- 5.10 People's Choice may obtain legal advice at the request of an individual Director relating to the carrying out of their duties as a Director of People's Choice or a subsidiary of People's Choice where the following protocol is followed:
- 5.10.1 A written request for advice is made:
 - 5.10.1.1 To the Board as a whole; or
 - 5.10.1.2 To the Chair of the Board; or

- 5.10.1.3 Where the advice relates to the Chair of the Board, to the Chair of the Audit Committee; and
- 5.10.2 The advice requested relates to the operations of the Board, or the office of Director, and it is proper for People's Choice to pay for same; and
- 5.10.3 Where advice is obtained:
 - 5.10.3.1 The advice is obtained by and for the benefit of People's Choice; and,
 - 5.10.3.2 All Directors are informed that advice has been obtained; and,
 - 5.10.3.3 A copy of the advice is retained on a central file for any Director to review; and,
 - 5.10.3.4 The fact that the advice was obtained is to be referenced in the papers or minutes for the next occurring Board meeting however, in order to retain legal professional privilege attaching to the advice, a copy of the advice should not be included in the Board papers and the substance of the advice should not be minuted.
- 5.11 The provisions of 5.10 above do not deny the right of any Director to obtain, at that Director's own expense, legal advice at any time.

Policies, Controls, Risk Management & Compliance

- 5.12 The Board will maintain a framework for the management of People's Choice, including a system of internal controls and a business risk management process.
- 5.13 The Board will ensure that:
 - 5.13.1 All policies necessary for proper governance are in place, maintained and complied with;
 - 5.13.2 Systems are in place to ensure efficient and effective control, reliable and timely reporting and compliance with legislative requirements;
 - 5.13.3 Compliance with Board policies and external (legislative) requirements is reviewed and monitored;
 - 5.13.4 Independent and adequately resourced internal and external audit arrangements are in place to examine and evaluate the adequacy and effectiveness of the system of internal controls;
 - 5.13.5 Effective risk management and compliance frameworks are implemented and maintained;
 - 5.13.6 Processes for the review and approval of Directors' insurance are in place;
 - 5.13.7 An effective and efficient organisation structure (complemented by effective and supportive human resource management systems) is maintained;
 - 5.13.8 It maintains a Managing Director / Chief Executive appointment process, establishes a Managing Director / Chief Executive performance agreement, and regularly evaluates the Managing Director / Chief Executive's performance; and
 - 5.13.9 The Chair, members of the Board and senior management are available to meet with government regulators on request.

Strategic Planning process

- 5.14 The Board and management will maintain a robust and integrated strategic planning process that links relevant aspects from long-term strategic and capital management planning through to annual business planning and individual performance planning processes.

Delegation

- 5.15 The Board has delegated responsibility for operation and administration of People's Choice to the Managing Director / Chief Executive. The Board will maintain appropriate instruments (for example, an Instrument of Delegation and Power of Attorney) through which specific authority is delegated to the Managing Director / Chief Executive and other officers.

Communication with Members

- 5.16 The Board will encourage participation of members at the Annual General Meeting to ensure a high level of accountability and identification with People's Choice strategy and goals. Important issues will be presented to members as single resolutions.
- 5.17 The members will be requested to vote on the appointment and aggregate remuneration of Directors and changes to the Constitution. A copy of the Constitution will be made available to any member upon request.
- 5.18 The Board will maintain other means of communication with members including:
- 5.18.1 The Annual Report,
 - 5.18.2 Abridged financial information and other general information through member communication channels.
- 5.19 People's Choice will regularly seek feedback from members through a variety of mechanisms including surveys, focus groups and informal feedback opportunities.

6. OTHER RELATED DOCUMENTATION

- 6.1 This policy is to be read in conjunction with:
[BP 1002 Board and Corporate Code of Conduct](#)
[BP 1007 Director Professional Development](#)