

Charter Name

Board Governance & Remuneration

Charter Approver / Custodian

Board and Company Secretary

Review cycle

Every two (2) years

Last review date / reviewer

June 2019

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Notes

Applies To	Board of Directors
Reason for Charter	The Corporations Act and APRA's Prudential Standard CPS 510 (July 2019) state that the Board of Directors (the Board) of a regulated institution is ultimately responsible for the oversight of the sound and prudent management of the regulated institution. The Board has established standing Committees to assist the Board's decision making, supervision and control of the organisation with respect to audit, governance and risk matters.
Charter Summary:	This document sets out the authority, responsibilities, membership of Cuscal's Board Governance and Remuneration Committee.

1. Objectives

The main objectives of the BGRC are to:

- assist the Board in promoting and implementing improved governance practices within Cuscal and its controlled entities;
- undertake and recommend to the Board the appointment of the Managing Director;
- undertake and recommend to the Board the annual Managing Director performance review, remuneration review and succession plan update;
- be the liaison point with the Managing Director on Board operations;
- be consulted by the Managing Director with respect to appointments, terminations, annual performance and succession plans of their executive direct reports;
- undertake the responsibilities required of a Board Remuneration Committee under APRA's Prudential Standard CPS 510, Governance (July 2019);
- develop and review policies and report to the Board on Board remuneration, Board composition, size and strategic function;
- review and recommend candidates for Board appointment;
- develop and co-ordinate processes for performance evaluation and succession planning of the Board and individual Directors, including annual review of Board Committee memberships;
- review compliance with governance requirements under relevant APRA Prudential Standards;
- approve the annual Board budget;
- have oversight of Board goals, including development and monitoring of progress;
- undertake the responsibilities of the Board nomination process; and
- assist the Board with the scheduling of regular stakeholder networking events;

2. Membership

The BGRC shall comprise at least three members, one of whom is the Chair of the Board, and all of whom are Non-Executive Directors. A majority of the BGRC members shall be independent.

Collectively, the BGRC members are expected to have experience in setting remuneration and sufficient industry knowledge to allow for effective alignment of remuneration with prudent risk-taking.

The Managing Director will be an attendee at the BGRC meetings, except in relation to discussion on matters affecting their own remuneration or performance, or any other matters where a conflict may exist. The Company Secretary will also be an attendee, and other Senior management staff may be invited as required.

The Chair of the Board will also be the Chair of the BGRC, unless otherwise determined by the Board from time to time. The Chair of the BGRC must be an independent Director.

If the Chair of the BGRC is due to be assessed under the Director nomination process detailed at clause 5.4 of this Charter, they will vacate the BGRC Chair and another independent Director will assume membership of the BGRC for the duration of that assessment process only.

If an elected Director is due to be assessed under the Director nomination process detailed at clause 5.4 of this Charter, the BGRC will comprise independent Directors only for the purpose of that assessment.

BGRC members must be available to meet with Regulator on request.

3. Meetings

3.1 Frequency

The BGRC shall hold at least four meetings per year and such additional meetings as the Chair shall decide. A quorum shall consist of a majority of BGRC members.

3.2 Circulated Resolutions

If all of the BGRC members entitled to receive a Notice of a Committee meeting and to vote on a resolution sign a document containing a statement that they are in favour of the resolution set out in the document, a Committee resolution in those terms is passed at the time when the last BGRC member signs. Approval for such a resolution may be provided by email.

4. Minutes

As an attendee at the meeting, the Company Secretary will keep minutes of meetings in the standard Cuscal format. The draft minutes will be included in the Cuscal Board papers in a timely manner.

5. Duties and Responsibilities

The BGRC shall consider any matters relating to the policy and practice of corporate governance within the Cuscal Group that it determines to be appropriate.

The duties of the BGRC shall be to:

5.1 Corporate Governance

- a. Monitor corporate governance developments and bring to the Board's attention matters of importance and recommendations for improvement leading to best practice.
- b. Review and recommend amendments to the Governance Framework, the Directors Guidelines, and Board Policies relating to governance and generally monitor compliance with the terms of each of these documents and any additional regulatory governance requirements.
- c. Recommend policies, guidelines and strategies for matters of governance generally, including the process of disclosure of information from the Board to shareholders.
- d. Review and recommend to the Board the Corporate Governance Statement.
- e. Consider any other matter relating to governance which the Board or the BGRC considers necessary.

5.2 Board Composition and Performance

- a. Develop and review policies on Board composition, size and strategic function, having regard to the Board Policy on Fit and Proper Conduct.
- b. Select external provider (if required), and oversee conduct of the annual performance review of the Board as a whole, individual Directors, and the Chair.
- c. Measure, monitor and make appropriate recommendations with respect to Directors' performance, remuneration and succession, including annual review of the Board and subsidiary company memberships.
- d. Be a point of reference for any individual Director issues or concerns.
- e. Have oversight of Board goals.

5.3 Director Selection, Appointment and Training

- a. Review preferred attributes and recommend nomination of potential candidates for appointment to the Board, as outlined in the Selection Framework for Board–Appointed Directors.

- b. Oversee the development and implementation of induction of new Directors and ongoing professional development training of all Directors.

5.4 Director nomination

- a. Assist the Board in fulfilling its oversight responsibility to stakeholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of Directors of an ADI.
- b. Consider any matters relating to the fitness and propriety of nominee directors, either elected or appointed, to the Board of Cuscal, including:
 - interview candidates for the Board;
 - assess candidates' fitness and propriety to be a Director by reference to the Board's Fit and Proper Policy, CPS 510 and CPS 520;
 - assess candidates against the criteria established as being required of a Cuscal Director at that time;
 - determine the appropriate action to be taken where a candidate is found not to be Fit and Proper; and
 - report on the fitness and propriety of the desired candidate to the Board, whilst keeping the actual assessment material confidential;

5.5 Managing Director and Direct Reports Selection, Appointment and Evaluation

- a. Implement a suitable recruitment process to enable a recommendation to be made to the Board for the appointment of the Managing Director. Such a process may be undertaken by a separately constituted Board Committee with a different membership to the BGRC.
- b. With respect to the Managing Director, undertake and recommend to the Board:
 - the annual performance review;
 - the annual remuneration review;
 - the annual Key Performance Indicator assessment;
 - the annual succession plan update; and
 - any contract review matters.
- c. Be a sounding board for the Managing Director.

- d. Be consulted by the Managing Director with respect to appointments, terminations, annual performance and succession plans for their executive direct reports.

5.6 Remuneration Matters

- a. Undertake the responsibilities that would otherwise be undertaken by a Board Remuneration Committee, as required under CPS 510.
- b. Ensure that a written Remuneration Policy is established and maintained.
- c. Conduct periodic reviews of, and make recommendations to the Board on, the Remuneration Policy, particularly with respect to its effectiveness and compliance with CPS 510.
- d. Review and recommend annually to the Board remuneration arrangements for the Managing Director's executive direct reports, other persons whose activities may affect the financial soundness of the institution, any other person specified by the Regulator and any other categories of persons covered by the Remuneration Policy.

5.7 Other

- a. Undertake any other duty as delegated by the Board.
- b. Consult with independent experts where considered necessary.
- c. Review this charter every two (2) years or as required. Recommended changes to this Charter will be subject to Board approval.
- d. Complete an annual evaluation of its performance in meeting the requirements of this Charter.
- e. Approve the annual budget for Board related expenditure.

6. Authority and Access

The Cuscal Board authorises the BGRC to:

- a. perform activities within its Charter and to the extent of any inconsistency, this Charter should be read subject to the requirements of CPS 510;
- b. have access to relevant employees, via the Managing Director or Senior management;
- c. with respect to remuneration matters, have free and unfettered access to risk and financial control personnel and other relevant parties (internal and external);
- d. obtain outside legal or other professional advice to assist in undertaking its responsibilities, particularly in relation to remuneration matters, the BGRC must ensure

that any such advice received is independent and any advisors so engaged must not also be acting concurrently or have acted within the last 12 months on behalf of Management or of any executive; and

- e. carry out investigations on behalf of the Board.
- f. The BGRC shall have access to the Company Secretary.

7. Reporting

The BGRC shall record proceedings of each meeting. A verbal report is to be provided to the immediate next Board meeting.

Cuscal's Annual Report shall include a statement describing the responsibilities and activities of the BGRC.

8. Relationships

The BGRC will:

- a. work with other Board Committees to review implementation of appropriate governance practices, policies and processes;
- b. advise the Board on policy proposals as they relate to the BGRC;
- c. review compliance with the prudential regulation requirements from Regulator in relation to the BGRC's activities; and
- d. ensure it retains an independent focus in assessing candidates for the Board.

9. Glossary

ADI	Authorised deposit-taking institution under the Banking Act 1959
BGRC	Board of Governance and Remuneration Committee
Corporate Governance Statement	Available on Cuscal's website
CPS 220	Prudential Standard CPS 220 Risk Management, July 2019
CPS 510	Prudential Standard CPS 510 Governance, July 2019
CPS 520	Prudential Standard CPS 520 Fit and Proper, July 2019
Corporations Act	Corporations Act 2001 (Cth)
Banking Act	Banking Act 1959 (Cth)
Board	The Board of Directors of Cuscal
Cuscal	Cuscal Limited ACN 087 822 455
Cuscal Group	Cuscal and each of its Related Bodies Corporate.
Director	A Director of Cuscal
Leadership Team	The Managing Director and direct reports of the Managing Director
Management	Cuscal's management-level staff
Non-Executive Director	Directors other than the Managing Director
Regulator	Refers to Australian Prudential Regulation Authority (APRA) or Australian Securities and Investments Commission (ASIC)
Related Body Corporate	has the same meaning given in the Corporations Act.
Senior management	<p>Senior management is a term used in the Corporations Act, CPS 220, CPS 510 and CPS 520. Senior manager is defined in CPS 520, paragraph 19 to include managers reporting directly to the Chief Executive Officer and those responsible for key aspects of risk management.</p> <p>Senior management in this document includes the Leadership Team and extends beyond it to persons who make, or participate in making, decisions that affect the whole, or a substantial part of the business, or have the capacity to affect significantly the corporation's financial standing (s.9 of the Corporations Act).</p> <p>For example: Leadership Team, Executive Group/Team, Management.</p>