

Charter Name:	Board
Approver / Custodian:	Board / Company Secretary
Review Cycle:	Every two years or as required
Last Review Date:	September 2020

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Notes

Applies to	Board of Directors
Reason for Charter	Cuscal's Board of Directors is governed by prudential regulation, general law, the Corporations Act and Cuscal's Constitution
Charter Summary	This document provides a summary of the role, responsibilities, composition and operation of Cuscal's Board of Directors and its controlled entities.





1. Purpose

This Charter provides a summary of the roles, responsibilities, composition and operation of the Board of Cuscal and its controlled entities. The Board is also governed by prudential regulation, general law, the Corporations Act and Cuscal's Constitution.

The Board is responsible for reviewing this charter at least once every two years (or earlier, if required). This Charter may be amended by resolution of the Board.

2. Role

The Board represents the interests of shareholders through oversight and evaluation of Cuscal's strategies, risk management framework, policies and performance.

Its role, therefore, is to provide strategic guidance for Cuscal and effective oversight of Management. In performing its role, the Board will actively embrace Cuscal's corporate values. Directors are also bound by a Code of Conduct as well as relevant Cuscal People Management Policies.

The Board exercises oversight of subsidiary entities as well as any dealings between subsidiaries and Cuscal. The Board is responsible for appointments to controlled entity boards.

3. Board Responsibility

The Board is responsible for, and has the authority to determine the following:

- ❑ all matters relating to the strategic direction, policies and practices of Cuscal;
- ❑ establishing goals for Management and ensuring the business is managed in a manner consistent with the agreed strategic direction, policies and practices;
- ❑ the overall corporate governance of Cuscal and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of Cuscal as a whole;
- ❑ ensuring that Cuscal complies with all of its prudential, regulatory, legal and other obligations; and
- ❑ the successful operations of Cuscal.

Where the Board considers that particular expertise or information is required, which is not available from within the current Board membership, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role and responsibilities of the Board, the specific principal functions and responsibilities of the Board include the following key areas:

- (a) **Stakeholder Interests**
 - ❑ Serve in the interests of shareholders and recognise the interests of other stakeholders such as employees, clients / customers, regulators, and the community.
 - ❑ Make recommendations on significant issues to members at General Meetings.
 - ❑ Monitor contemporary governance practices and adopt where applicable.
- (b) **Strategy**
 - ❑ Establish Cuscal's strategic direction and approve the implementation of Cuscal's strategic objectives.
 - ❑ Annually review, approve and monitor the three-year rolling corporate strategy plans and performance objectives. Evaluate the assumptions and rationale underlying the plans.
 - ❑ Monitor management's performance and implementation of strategy, ensuring appropriate resources are available.





- (c) Managing Director and Senior Management

 - Provide specific delegated authority to the Managing Director to manage the operations of Cuscal.
 - Determine the terms of appointment, performance evaluation and succession of the Managing Director.
 - Review the remuneration arrangements of persons covered by Cuscal's Remuneration Policy.
- (d) Business Performance and Reporting

 - Review and approve the budget, and regularly monitor performance.
 - Review material reporting to stakeholders and regulators to ensure reporting is accurate, objective and timely.
 - Determine the dividend policy and the amount, nature and timing of dividends to be paid.
- (e) Risk Management and Compliance

 - Consider and approve key risk management parameters, including ensuring that:
 - Cuscal's risk appetite is defined and that it has established a Board-approved risk management strategy;
 - a sound risk management culture is established and maintained;
 - Senior Management take the steps necessary to monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board;
 - Cuscal's operational structure facilitates effective risk management;
 - frameworks and policies are developed for risk-taking that are consistent with the risk management strategy and the established risk appetite;
 - sufficient resources are dedicated to risk management;
 - uncertainties attached to risk measurement are recognised, and the limitations and assumptions relating to any models used to measure components of risk are well understood; and
 - appropriate controls are established that are consistent with Cuscal's risk appetite, risk profile and capital strength, and are understood by, and regularly communicated to, the relevant staff.
 - On an annual basis, assess and approve changes to the risk management framework, including approving the establishment of, and subsequent adjustments to, Cuscal's risk management strategy and risk appetite statement.
 - Monitor the effectiveness of the risk management framework and internal compliance and control.
 - Review and monitor processes for prudential and regulatory compliance.
 - Monitor and review Board policies and the policy development framework, as required.
- (f) Board Composition and Performance

 - Monitor Board composition with respect to appropriate skills and compliance with relevant regulatory requirements.
 - Appoint Independent Directors to the Board.
 - Evaluate annually Board processes and the performance of the Board and individual Directors, with external assistance as required.
 - Establish Board Committees and determine charters and membership.
 - Assess annually the independence of Non-Executive Directors.





- (g) External Auditor
 - ❑ Establish the continuing professional development program.
 - ❑ Consider any changes in arrangements with respect to the External Auditor, such as appointment or removal.
 - ❑ Provide the opportunity for and consider any matter raised by the External Auditor directly with the Board.

4. Board Structure

4.1 Board Composition

The composition of the Board and the election and appointment of Directors are determined in accordance with Cuscal's Constitution. The maximum number of Directors as determined by the Constitution is nine, comprising:

- ❑ up to four Directors elected by shareholders;
- ❑ up to four Directors appointed by the Board; and
- ❑ the Managing Director, who may be appointed at the discretion of the Board.

CPS 510 requires Cuscal, a locally incorporated regulated institution, to have a minimum of five directors at all times. A majority of directors must ordinarily reside in Australia.

CPS 510 requires a locally incorporated regulated institution board to comprise a majority of Independent Non-Executive Directors. However, the Regulator has approved alternative arrangements such that Cuscal is not required to have a majority of Independent Directors, provided that the Board has no more than one Executive Director and of the Non-Executive Directors, at least half are independent.

Subject to the candidate being independent (as defined in section 4.5), Directors may elect the Chair of the Board annually at the first meeting of the Board after Cuscal's AGM or alternatively, the appointment of Chair may be for a fixed period of more than one year.

The roles of the Chair and the Managing Director are strictly separated. The Chair cannot have been the Managing Director at any time during the previous three years.

4.2 Board composition criteria

The Board has determined that consideration of Board composition shall take into account the following:

- ❑ the complexity of the business, the effectiveness and efficiency of the Board, appropriate capabilities and expertise of the collective Board and individual Directors, and maintenance of a Board size where all Directors can participate effectively;
- ❑ the Board should have a diversity of capabilities and backgrounds, as determined by the Board, and in compliance with the competency requirements under the Board's Fit and Proper Policy and Procedures;
- ❑ the Board members must devote the necessary time and attention for the Board to carry out its responsibilities (including the effective implementation of matters set out under 'Section 3 - Board Responsibility'); and
- ❑ the Board members must be committed and carry the final responsibility for the successful operations of Cuscal.

4.3 Annual performance review

The Board has established an annual process, with advice from the Board Governance & Remuneration Committee, to measure and monitor Directors' performance including assessment and feedback. The performance evaluation is based on a collective Board performance assessment, individual self-assessment and





peer review. Overall outcomes are discussed at the Board. The Chair discusses individual outcomes with the Director concerned.

From time to time, a consultant is engaged to carry out a Board performance review with the objectives being to:

- ❑ identify areas for improvement, both for individual Directors and the Board as a whole; and
- ❑ develop a suitable programme for professional development for individual Directors and for the Board, together with a timetable for ongoing monitoring and review.

Board Committees each conduct an annual self-evaluation review against its relevant Charters and goals and report the results of the review to the Board.

4.4 Board renewal

Cuscal's elected Directors serve three-year terms, retiring at the AGM closest to the expiration of their term. An election of elected Directors must be held at each AGM, with candidates to be nominated by three shareholders. The fitness and propriety of nominated candidates is assessed by the Board Governance & Remuneration Committee and, if they are so assessed to be fit and proper, their nomination will be endorsed in the Notice of Meeting in respect of, among other matters, Director elections. If required, a ballot is held at the relevant AGM to determine the successful candidate if more than one candidate contests the directorship role.

Cuscal's appointed Directors serve an initial term of no longer than three years, with the terms of office staggered to ensure continuity of experienced Directors. The Board Governance & Remuneration Committee oversees the development of a list of attributes of the preferred candidate for the role of appointed Director, taking into account, amongst other things:

- ❑ strategic issues, and commercial and other pressures facing Cuscal at the time and over the following three years;
- ❑ the overall balance of skill sets available on the Board at the time and those likely to be required over the following three years, with reference to competencies required under the Fit and Proper Policy; and
- ❑ assessment of Cuscal's position with respect to market-based remuneration levels for Directors.

The Board Governance & Remuneration Committee oversees the preparation of a briefing document for submission to the Board setting out the attributes of the preferred candidate, the selection process and seeking authority to proceed to identify appropriate candidates. The selection process refers to mutual due diligence and an assessment of the need to appoint a recruitment consultant.

The Board Governance & Remuneration Committee conducts candidate interviews and recommends the preferred candidate for Board approval.

In determining if an appointed Director should be offered a subsequent term, the Board assesses the retiring Director's skills, industry experience and technical knowledge, and whether they complement the skills, industry experience and technical knowledge of the balance of the Board members.

In carrying out its governance duties and responsibilities, the Board periodically reviews its composition to maintain the necessary experience, skills and mix of people to oversee continuous improvement and development of corporate integrity and accountability required of a professional and ethical organisation. The Board also remains open to new ideas and independent thinking.

As a general rule, a Director's tenure will be reviewed if the Director is approaching a service period of three concurrent terms of office. Matters to be considered by the Board will include the:

- ❑ average tenure of Board members;
- ❑ 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 Cuscal; and
- ❑ competencies and requirements under Cuscal's Fit and Proper Policy.

A Director's tenure may be extended at the Board's discretion when a majority of the Board has agreed that it is in Cuscal's best interests.





A Director's term ceases at the end of their appointment period, unless that person has been reappointed or re-elected. In addition, a person will automatically cease to be a Director if the person:

- ❑ is not permitted by the Corporations Act (or an order made under the Corporations Act) to be a Director;
- ❑ becomes disqualified from managing corporations under Part 2D.6 of the Corporations Act and is not given permission or leave to manage Cuscal under s206F or s206G;
- ❑ becomes of unsound mind or physically or mentally incapable of performing the functions of that office;
- ❑ becomes disqualified from managing corporations pursuant to any regulatory requirements applicable from time to time;
- ❑ fails to attend three consecutive Board meetings (not including meetings of a committee of the Board) without being granted leave of absence from the Board;
- ❑ resigns by notice in writing to Cuscal; or
- ❑ is removed from office by Cuscal by ordinary resolution.

4.5 Independence

The Board supports the appointment of Independent Directors who bring specific qualities to the Group, including an external perspective which is difficult to replicate solely from candidates within the mutual industry. Individually and collectively, the independent Directors add considerable value to the decision-making and governance processes.

The Board is responsible for the determination of Directors' independence, taking into account the circumstances of each Director. Cuscal is largely owned by credit unions and many of its customers are those same credit unions. This has created the situation whereby elected Directors may not be independent by usual definitions. The Board has therefore determined that elected Directors, whose organisations have a material out-sourcing contract with Cuscal, may not be considered to be independent.

All Non-Executive Directors are required to complete a declaration confirming their independent status prior to appointment. Their continuing independence is then subject to annual review and is incorporated into the annual fit and proper assessment process. In addition, a Directors' disclosure update is a standing agenda item for Board meetings.

A Director will not be considered independent if that person:

- a. is a substantial shareholder of Cuscal, or an officer of, or otherwise associated directly with, a substantial shareholder of Cuscal;
- b. is employed, or has previously been employed in an executive capacity by Cuscal without there being a period of at least three years between ceasing such employment and serving on the Board;
- c. has, within the last three years, been a principal of a material professional adviser or a material consultant to Cuscal or an employee materially associated with the service provided;
- d. is a material supplier or customer of Cuscal or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- e. has a material contractual relationship with Cuscal, other than as a Director.

Directors are expected to notify the Company Secretary (Fit and Proper Officer) immediately of information relating to changes or possible changes in their independent status.





The Board is responsible for the final determination of Directors' independence, taking into account the circumstances of each Director. If the Board is in doubt about a Director's independence, it may refer the matter to Regulator for guidance.

4.6 Independent Director Appointment Process

The Board periodically reviews the framework within which its Independent Directors are appointed to ensure the skills sets and experience of selected candidates are complementary to those currently available on the Board and consistent with the commercial and other circumstances of Cuscal, both currently and into the foreseeable future.

The process to appoint an Independent Director is that when a vacancy occurs, the Board Governance & Remuneration Committee identifies and assesses candidates with the preferred attributes and makes recommendations to the Board. The Board Governance and Remuneration Committee is guided by an appropriately developed selection framework for evaluation of potential candidates – refer to Appendix A.

4.7 Appointment of Directors

There are a number of elements relating to formalising the appointment for either elected or appointed Directors, including:

- ❑ Appointment Letter – this is signed by the appointed Director to indicate their acceptance of conditions of the appointment;
- ❑ Deed of Access to Documents, Indemnity and Insurance – to be executed by the appointed Director;
- ❑ Induction – the appointed Director participates in an induction at the Margaret Street premises which includes presentations by Senior Management on key parts of the business; and
- ❑ Directors Guidelines – the appointed Director is provided with access to the Governance Framework and other documents that outline, amongst other things, Board and Director specific information on principal obligations, Cuscal policies, Board processes, Directors rights, Directors duties, charters and codes.

4.8 Induction and Ongoing Professional Development

Directors participate in a formal induction program on appointment, as detailed within Cuscal's Fit and Proper Policy and Procedures.

The Board has established guidelines on the continuing professional development of Directors. Each Director is required to undertake appropriate annual professional development through a recognised professional body or institution and is obliged to maintain their record of training. The record of training is reviewed as part of the annual Directors' assessment process. The Board Governance & Remuneration Committee monitors Director's development with the assistance of the Training Officer under Cuscal's Fit and Proper Policy.

Training and development initiatives are also subject to regular review, having regard to Board composition and the particular circumstances facing the Cuscal Group from time to time.

In addition, Board meetings regularly include workshops and other development sessions to build knowledge on important issues and to ensure the Board is kept up-to-date on relevant industry matters. Members of the Leadership Team or external experts usually facilitate the workshops.

Appendix B details the guidelines in respect of Directors' continuing professional development.

4.9 Directors' Remuneration

Board remuneration is approved by shareholders at the AGM, based on the recommendations of the Board in compliance with a policy determined by shareholders, which states that:





- ❑ shareholders approve a lump sum, with discretion granted to the Board for its allocation;
- ❑ the remuneration lump sum is to be established by comparison with similar public companies' remuneration levels based on a Board comprising the same number of Non-Executive Directors; and
- ❑ an independent, external consultant, or organisation specialising in remuneration matters, is to be engaged periodically to provide this comparative information.

Subject to approval by the Board, additional fees may be paid to select Cuscal Directors appointed to subsidiary boards.

5. Board Committees and Subsidiary Companies

The Board has established the following Committees and is responsible for the composition and periodic review of the memberships and charters of each Committee:

- ❑ Board Audit Committee;
- ❑ Board Governance & Remuneration Committee; and
- ❑ Board Risk Committee.

In carrying out its responsibilities, the Board may delegate to, and seek guidance from, any Committees it establishes.

As many business initiatives carry both financial reporting and business risk, the Board Audit Committee and Board Risk Committee shall work with one another to allocate oversight responsibility in accordance with the principles in this document. The respective Chairs of the Board Audit Committee and Board Risk Committee are authorised to delegate their responsibility to the other committees where mutually agreed with the Board.

The Board policy is that generally at least one Cuscal Director, being the Managing Director, is appointed to the boards of operating subsidiary companies.

6. Ethical and Responsible Decision-making

The Board takes ethical and responsible decision-making seriously and it expects Cuscal employees to have the same approach. All Directors, managers and staff are expected to act with the utmost integrity in the best interest of the organisation and its members, while striving at all times to enhance the reputation and performance of Cuscal.

The Cuscal values define the way in which employees are encouraged to work together.

Quite simply, it is "what we do around here" to achieve Cuscal's business goals and aspirations.

The values, which were developed through consultation and input from employees and the Board are:

- ❑ Reliability;
- ❑ Energy; and
- ❑ Partnership.

The Board and the Leadership Team acknowledge that they are responsible for promoting high standards of ethics and integrity and that their language, attitudes and actions will strongly influence Cuscal's culture.

All employees are required to comply with Cuscal's Code of Conduct. In addition, Directors are bound by a Directors Code of Conduct.





7. Delegations of Board Authority

The Board has delegated to the Managing Director the authority to manage the operations of Cuscal group subject to specific delegations and limits approved by the Board. Board delegations, which are reviewed at least biannually, are reflected in the Managing Director's responsibilities noted below in section 10.

The most recent review was at the March 2016 Board meeting where the following delegations were confirmed:

- ❑ to employ, terminate or both all positions, other than executive direct reports of the Managing Director, which will be subject to consultation with the Board Governance & Remuneration Committee and (where required) the Board Risk Committee;
- ❑ to finalise remuneration levels for all positions, with the exception of those positions which require Board endorsement under Cuscal's Remuneration Policy;
- ❑ to organise Cuscal in any appropriate manner subject to the strategic direction approved by the Board;
- ❑ to make capital expenditure up to \$1,000,000 within budget approval;
- ❑ to make capital expenditure up to \$250,000 outside budget approval for any category within the annual capital expenditure budget, provided that any such approval did not cause the annual capital expenditure to be exceeded;
- ❑ to spend all monies in the approved operating budget;
- ❑ to spend monies outside the approved operating budget up to a maximum of five (5) per cent of pre-tax annual budgeted profit (to be reported to the Board);
- ❑ subject to approved credit limits, policy and legislation, to borrow money and enter into financial transactions and arrangements for the purpose of ensuring the efficient operation of Cuscal;
- ❑ to authorise transactions within delegated levels, including the execution of contracts, with terms of up to five (5) years;
- ❑ to approve the write-off for accounting purposes of assets to a maximum of \$40,000 per category of asset, with cumulative write-offs in all asset categories in any one month greater than \$100,000 to be reported to the Board;
- ❑ to approve the write-off of expenditure and the taking to account of income due to irreconcilable accounting differences to a maximum of \$40,000, with the cumulative combination of write-offs of expenditure and taking to account of income greater than \$100,000 in any one month to be reported to the Board;
- ❑ to approve the disposal of assets with a maximum written-down value of \$200,000 for each asset disposed, with any disposal in any one month greater than \$100,000 in written-down value to be reported to the Board;
- ❑ to approve the entering into of tenancy leases for Cuscal offices for locations other than the head office;
- ❑ to appoint appropriate employees of Cuscal Group to operate Cuscal's bank accounts including cheque signatories; and
- ❑ to further delegate authorities to Cuscal staff as appropriate.

8. Role of the Chair

The Chair's responsibilities include:

- ❑ leading the Board;
- ❑ chairing and overseeing meetings of the Board and shareholders;
- ❑ being the primary point of contact between the Board and the Managing Director;
- ❑ maintaining ongoing communication with the Managing Director and providing appropriate counselling and guidance;
- ❑ representing the views of the Board to the public;





- ❑ ongoing counselling of individual Directors;
- ❑ assisting with the development of Directors;
- ❑ on behalf of the Board, and together with the Chair of Board Risk Committee and Board Audit Committee, making the annual declaration to the Regulator on Cuscal's risk management; and
- ❑ meeting with Regulator, if requested to do so.

9. Role of Directors

Directors' responsibilities include:

- ❑ exercising their powers and discharging their duties in good faith and in the best interests of Cuscal;
- ❑ using their powers of office for a proper purpose and not for personal advantage or, for the benefit of another party;
- ❑ using due care and diligence;
- ❑ making all reasonable effort to become and remain familiar with the affairs of Cuscal;
- ❑ attending all Board meetings and Board functions unless there are valid reasons for non-attendance;
- ❑ committing the necessary time and energy to Board matters to ensure that they are contributing their best endeavours in the performance of their duties for the benefit of Cuscal, without placing undue reliance on other directors to fulfil these duties; and
- ❑ meeting with Regulator, if requested to do so.

10. Role of the Managing Director

The Managing Director's responsibilities include:

- ❑ developing with the Board long-term objectives and strategic plans and initiatives, performance measures and policies;
- ❑ ensuring efficient and effective day-to-day operations;
- ❑ reporting to the Board on performance against key performance measures, corporate strategy plans and the budget;
- ❑ determining the terms of appointment, performance evaluation, succession plans and replacement of Executive direct reports, subject to consultation with the Board Governance & Remuneration Committee;
- ❑ development and monitoring of the risk management framework and maintaining an appropriate internal control environment;
- ❑ bringing material and relevant matters to the Board in a timely and factual manner; and
- ❑ procuring Senior Management to meet with the Regulator, if requested to do so.

In addition, it is the responsibility of the Managing Director (in conjunction with the Chief Financial Officer) to provide written assurances to the Board that, in all material respects:

- ❑ the financial reports submitted to the Board present a true and fair view of the Cuscal's financial condition and operational results; and
- ❑ Cuscal's risk management and internal compliance and control system is operating efficiently and effectively.





11. Role of the Company Secretary

The Company Secretary's responsibilities include:

- ❑ overseeing Cuscal's compliance program and ensuring all legislative obligations are met;
- ❑ ensuring that the agenda and briefing materials for Board meetings are prepared and forwarded to Directors in a timely and effective manner;
- ❑ recording, maintaining and distributing the minutes of all Board and Board sub-committee meetings as required;
- ❑ preparing for and attending all general meetings of Cuscal and ensuring that the correct procedures are followed;
- ❑ recording, maintaining and distributing the minutes of all annual and extraordinary general meetings of Cuscal;
- ❑ meeting statutory reporting requirements in accordance with relevant legislation; and
- ❑ providing such other reasonable services the Managing Director or Chair may require.

12. Board Operation and Processes

12.1 Board meetings

The Board has nine scheduled Board meetings per year; and the Board may vary this number of schedule meetings as circumstances dictate. The Board reviews and sets its meeting schedule annually, although this may be varied during the year if circumstances require, additional meetings may be held.

The Chair and the Managing Director establish the Board meeting agenda(s), with the assistance of the Company Secretary. The Board agendas are structured to meet Board responsibilities. This includes consideration of strategic issues, business performance and reporting, governance issues, management submissions and Board Committee submissions. Workshops and presentations are also a regular inclusion. Board papers are published electronically in advance of meetings.

The Leadership Team are regular invitees to Board meetings. However, Directors also meet from time to time without the Managing Director or Management representatives in both Board and Board Committee meetings.

Supporting these meetings are strategy forums, generally held twice yearly with the Board and the Leadership Team. The strategy forums provide an opportunity to consider longer-term issues and strategic initiatives including deeper analysis of issues.

Meeting dates are detailed in the Board Calendar and is published electronically.

A majority of Directors present and eligible to vote at all Board meetings must be Non-Executive Directors (i.e. a Director who is not a member of Cuscal's Management).

12.2 Conflicts of Interest

In addition to the issue of independence, Directors have a continuing responsibility to avoid conflicts of interest (both real and apparent) between their duty to Cuscal and their own interests.

Directors are required to disclose any actual or potential conflicts of interest on appointment and are required to keep this disclosure up-to-date.

The participation in any discussions or decision-making of a Director who has a material personal interest in a matter for Board consideration is governed by s191 and s195 of the Act.





12.3 Conflict Between Directors

The Chair is responsible for ensuring individual and collective Director relationships, appropriate courtesy and respect are shown for the Board to function and that Cuscal's values are adhered to.

The Chair is responsible for setting the tone of meetings including meeting etiquette, ensuring appropriate interpersonal behaviour and respect is maintained, ensuring debate and discussion is kept to the issue at hand and that it doesn't become personal.

Where conflict between Directors develops, the Chair has a responsibility to address the situation. If a Director thinks conflict may develop, then that Director should proactively discuss the situation with the Chair.

12.4 Director Contribution and Participation

Each Director has an obligation to prepare and contribute to Board deliberations by providing their views and opinions, debating and discussing, challenging (with respect) other contributions where appropriate or necessary. Respect for other views must be maintained and Directors are to be conscious of the need to be non-personal in challenging other views.

The Chair is to encourage and provide each Director an opportunity and allow all views to be presented, discussed, and debated as necessary. The Chair will also ensure individual views / positions are respected and not allow personal judgements / attacks on any Director or group of Directors.

12.5 Access to Independent Professional Advice

Each Director has the right to seek independent professional advice at Cuscal's expense on a matter relevant to the Director's role at Cuscal and affecting a Director's own position, subject to prior approval from the Chair. The Board's policy is that the advice is to be made available to all Directors.

12.6 Access to the Company Secretary and Senior Management

The Board has access to the Company Secretary. The Leadership Team are regular attendees at Board meetings but Directors may contact Leadership Team members between meetings, if required. Other Senior Management also attend Board meetings as required.

12.7 Other Board Operational Matters

Other Board operational matters are governed by the Constitution and are not reproduced here.

12.8 Directors' Access and Indemnity Deeds

To regulate certain Director matters, including access to documents and the provision of indemnities, Cuscal will enter into a Deed of Access and Indemnity with each Director relating to the period for which that Director holds office and for the subsequent seven years following which that Director ceases to be an Officer of Cuscal.

13. Shareholder Communication

In addition, to provisions relating to the media management set out in Cuscal's Media Policy, the Board is committed to protecting shareholders' interests. In this regard, the Board aims to ensure that shareholders are well informed of all major developments affecting Cuscal's operations and financial standing.

Cuscal has a continuing engagement and disclosure to its members through:





- its Annual Report;
- participation at General Meetings – Cuscal’s AGM is held in a different major Australian location each year in association with the annual COBA convention. Shareholders have the opportunity to express their views, ask questions about Cuscal’s business and vote on other items of business as appropriate. Other General Meetings are held as needed; and
- its Shareholder Centre - information relevant to Cuscal shareholders is available through the Shareholder Centre on Cuscal’s website.





Appendix A Selection Framework for Board-appointed Directors

Process

The following description is the basic process for the selection and evaluation of a potential Board appointed Director.

The Board Governance & Remuneration Committee oversees the development of a list of attributes of the preferred candidate, taking into account, amongst other things:

- ❑ strategic issues, and commercial and other pressures facing Cuscal at the time and over the following three years;
- ❑ the overall balance of skill sets available on the Cuscal Board at the time and those likely to be required over the following three years, with reference to competencies required under the Fit and Proper Policy; and
- ❑ assessment of Cuscal's position with respect to market-based remuneration levels for Directors.

The Board Governance & Remuneration Committee also oversees the preparation of a briefing document for submission to the Board setting out the attributes of the preferred candidate, the selection process and seeking authority to proceed to identify appropriate candidates.

The selection process should refer to mutual due diligence and an assessment of the need to appoint a recruitment consultant.

The Board Governance & Remuneration Committee is to interview short listed candidates. The Committee then provides a recommendation of preferred candidate(s) to the Board for final selection / approval and appointment.





Appendix B Professional Development for Directors

1. Professional Development

Directors of Cuscal are required to undertake ten (10) hours of professional development per annum through a recognised professional body or institution, which will be subject to review as part of the annual Directors' assessment process. Cuscal will provide funding of up to \$2,000 per annum, per Director, to undertake development activities.

While there are a number of ways Directors can keep up-to-date, such as information available through membership of AICD, reading magazines and other publications, attendances at seminars and conferences etc, such activities are not considered as professional development for the purpose of this policy.

2. Qualifying Activities

Qualifying activities for professional development purposes should maintain and / or expand the capacity for Directors to discharge their professional obligations and should have the following characteristics:

- ❑ an organised, orderly framework developed from a clear set of objectives;
- ❑ a structure for imparting knowledge of an educational or technical nature; and
- ❑ requires active involvement by the participant.

Examples of professional development include:

- ❑ Company Director's Course offered by AICD;
- ❑ short courses through universities, management schools and the AICD;
- ❑ conferences and seminars and other professional development programs where there are workshops or active breakout groups involving attendee participation; service on technical committees of relevant professional bodies and leaders or presenters of activities in addition to the Director's normal duties;
- ❑ writing relevant technical articles, papers or books; working as a lecturer, instructor or discussion leader on a relevant structured course (repeat presentations do not count); and
- ❑ workshops led by senior members of Management that engage and / or require active participation by Directors (this does not include Directors' normal duties such as workshops to review year-end financial statements).

Attendance at events such as breakfast briefings, or half-day seminars with no attendee participation will not qualify as professional development.

It is considered that attendance at AMI and WOCCU conferences will (generally) not be treated as professional development. However, the cost of participation in organised credit union industry events such as the COBA convention and Chairs' & CEOs' Forums, WOCCU events and those organised by AMI may be separately met by Cuscal. Queries relating to funding should be referred to the Chair.

3. Director self-assessment

It is recommended that in the first instance each Director assess their own skills and competencies to identify any potential development opportunities. These will also be reviewed as part of the annual Fit and Proper assessment process whereby each responsible person is to determine their annual training plan in consultation with the Management.

4. Approval

Requests for specific professional development which were not identified and signed off as part of Directors' annual training plans are to go to the Chair for approval.





Glossary

AICD	Australian Institute of Company Directors.
AGM	Annual General Meeting.
AMI Institute	Australian Mutuals Institute.
Annual Report	Available on Cuscal's website.
Banking Act	Banking Act 1959 (Cth).
Board	The Board of Directors of Cuscal.
COBA	Customer Owned Banking Association, formerly known as 'Abacus'
Constitution	Cuscal's constitution dated 13 November 2014.
Corporations Act	Corporations Act 2001 (Cth).
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.
Cuscal	Cuscal Limited ACN 087 822 455.
Cuscal Group	Cuscal and each of its Related Bodies Corporate.
Director	A Director of Cuscal.
Executive Director	Managing Director.
Independent Director	A Director as defined in clause 4.5.
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), Australian Securities and Investments Commission (ASIC) or both
Related Body Corporate	Has the same meaning given under the Corporations Act.
Senior Management	Senior management is a term used in the Act, CPS 220, CPS 510 and CPS 520. Senior manager is defined in CPS 520, para 19 to include managers reporting directly to the Chief Executive Officer and those responsible for key aspects of risk management. 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 (section 9 of the Corporations Act 2001. For example: Leadership Team, Executive Group / Team, Management.
WOCCU	World Council of Credit Unions

