

MALENY CREDIT UNION

(MCU Ltd trading as)

GOVERNANCE FRAMEWORK



Adopted by the MCU Board 19 August 2016

TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	Document Purpose	1
1.2	Objective	1
1.3	Regulatory Requirements	1
1.4	Values.....	1
2	BOARD CHARTER.....	2
2.1	Role of the board	2
2.2	Board Responsibilities.....	2
2.3	Board Composition	3
2.4	Appointment, Removal and Remuneration of Directors.....	3
2.4.1	Appointment of New Directors.....	3
2.4.2	Retirement and Renewal	4
2.4.3	Remuneration of Directors	4
2.5	Board Committees	4
2.6	Performance Review Process.....	5
2.7	Code of Conduct.....	5
2.8	Board Meetings.....	6
2.9	Legal Obligations.....	6
2.10	Indemnity and Directors' and Officers' Insurance	7
3	ROLE OF THE CHIEF EXECUTIVE OFFICER	8
3.1	Accountability	8
	Appendix A.....	9
	Appendix B	10

1 INTRODUCTION

The framework in which Maleny Credit Union operates is guided by both a regulatory environment and a set of shared values. Maleny Credit Union believes that to maintain its role as a strong business within the region it serves it must commit to the highest level of corporate governance.

This means fostering a culture that values and rewards high ethical standards, personal and corporate integrity, environmental sustainability and respect and support for others. Maleny Credit Union's approach to governance is to fulfil the prudential, legislative and ethical obligations while delivering responsible financial services for our Members.

1.1 DOCUMENT PURPOSE

The purpose of this document is to establish a framework of corporate governance within which the Board of Maleny Credit Union will operate.

1.2 OBJECTIVE

The objectives of this document are to:

- Document the formal Charter of the Board which sets out its roles and responsibilities in order to ensure that the conduct and performance of the Board can be measured and monitored;
- Ensure there is clarity around the division of responsibilities between the Board and management functions and the Board's role in overseeing management is clearly stated;
- Ensure that through the implementation of appropriate succession planning the Board has, and continues to have, the necessary skills, capabilities and experience to discharge its responsibilities; and
- Ensure that appropriate arrangements are in place to address any intended, or unintended, vacancy in the position of Chair of the Board.

1.3 REGULATORY REQUIREMENTS

- This Policy is consistent with the principles of:
- The Corporations Act 2001;
- ASX Principles of Good Corporate Governance and Best Practice Recommendations.
- APRA Prudential Standard CPS 510 Governance

1.4 VALUES

As a member-owned financial service enterprise the activities of Maleny Credit Union are guided by the Objects laid out in Clause 2 of the Constitution, by its vision and mission statements, and by the ethical principles introduced in the Declaration of Shared Values which it asks all members, including directors and staff, to endorse. It also has an Ethics Policy which formalises the ethical principles of Maleny Credit Union and provides operational guidelines for staff and directors.

2 BOARD CHARTER

2.1 ROLE OF THE BOARD

The Board of Directors of Maleny Credit Union Limited, (the 'Board') is responsible for the corporate governance of Maleny Credit Union Limited, (MCU). The Board guides and monitors the business and affairs of MCU to ensure the interests of shareholders and depositors are protected whilst having regard for the interests of all stakeholders including customers, employees, suppliers and local communities.

The Board is responsible to the members of MCU for the overall governance and performance of MCU, for ensuring that requirements of regulatory bodies are met, and for satisfying ethical expectations and obligations.

In undertaking these responsibilities, the Board is responsible for identifying and mitigating areas of business risk, and ensuring arrangements are in place to adequately manage those risks.

Responsibility for the operation and administration of MCU is delegated by the Board to the Chief Executive Officer. The Board ensures that the Chief Executive Officer is appropriately qualified and experienced to perform the required duties and undertakes regular performance assessment of the Chief Executive Officer to ensure this.

2.2 BOARD RESPONSIBILITIES

Responsibilities of the Board include, but are not limited to:

- Reviewing, determining and monitoring the strategic direction and objectives of MCU
- Reviewing, approving and monitoring the strategic plan including financial and non-financial performance measures
- Appointing, delegating to, supporting, evaluating and rewarding the Chief Executive Officer against agreed performance indicators
- Monitoring the Chief Executive Officer's performance and implementation of the Board approved strategies, and having in place a succession plan appointing and removing the Chief Executive Officer
- Assessing MCU performance against Board approved budgets, targets and strategies
- Overseeing the management of MCU business and approving policies governing the operations of MCU
- Ensuring that the principal business risks have been identified, and overseeing the implementation and monitoring by management of a framework to manage those risks within all regulatory and prudential requirements
- Ensuring a process is in place for the maintenance of the integrity of internal controls, and financial and management information systems
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures and setting delegated spending limits
- Ratifying the appointment and, where appropriate, the removal of the CEO and Company Secretary
- Establishing, making appointments and making delegations to Board sub-committees

- Reviewing, approving and monitoring policy, within a policy and compliance framework

2.3 BOARD COMPOSITION

Maleny Credit Union's Constitution and this Charter deal with the appointment, removal and remuneration of Directors.

The composition of the Board is determined in accordance with the following principles and guidelines:

- The number of Directors is limited by Rule 38 of the Constitution.
- The Chair of the Board will be elected by the Directors.
- The Chair of the Board must be an independent non-executive Director.
- A majority of the Board must be independent non-executive Directors¹.
- The Board requires Directors to have a broad range of commercial and/or professional expertise and experience who are able to bring value to the Board's deliberations.
- Board Members must have a proven ability and capacity to make meaningful contributions to Board strategy and policy and be able to participate in the oversight of the proper functioning of management.

2.4 APPOINTMENT, REMOVAL AND REMUNERATION OF DIRECTORS

2.4.1 APPOINTMENT OF NEW DIRECTORS

Under the Constitution Directors may be appointed:

- by the Board to fill a casual vacancy; or
- by the Members electing them as a Director, to hold office pursuant to the Constitution.

The Members or the Board may only consider a person as a candidate for appointment as a Director if the Board Nomination Committee determines that the person is fit and proper for appointment as a Director of MCU by reference to MCU's Fit and Proper Policy and APRA's Fit and Proper Standards.

Assessment of nominations for Director will be against a range of criteria including background, experience, professional skills, personal qualities, geographic location and their capacity to commit themselves to the Board's activities.

In determining the composition of the Board MCU will consider a wide base of potential Directors, taking into account:

- the range of skills and expertise required by MCU.
- current composition of the Board;
- the need for independence;
- the strategic direction and progress of MCU.

¹ Independence of Directors is defined by Prudential Standard CPS 510, and outlined in Appendix A

From time to time, the Board Nomination Committee may use external consultants to assist its considerations. Any appointment is subject to Member qualification requirement of Rule 39 of the Constitution.

Upon appointment, a Director will be provided with a formal letter of appointment setting out the key terms and conditions relative to that appointment, including a copy of this Board Charter.

2.4.2 RETIREMENT AND RENEWAL

Rule 42 of the Constitution requires Directors to retire by rotation at the third AGM after the AGM at which the Director's appointment was announced. Directors retiring by rotation may be eligible for renewal by members.

Where a Director is appointed to fill a casual vacancy on the Board, if the Director wishes to continue as a Director, it will be necessary for that Director to stand for election at the next AGM.

In the case of the renewal of a Director at an AGM, while the Board may indicate to Members that it supports the renewal of that Director, no direct or indirect financial support will be provided by the Board or MCU to assist with or support the Director's renewal.

MCU will also sign a Deed with Directors allowing them access to confidential documents in specified circumstances and requiring MCU to place insurance cover for them for seven years following retirement (see below).

2.4.3 REMUNERATION OF DIRECTORS

Non Executive Directors will be remunerated for their participation in Board activities in accordance with Clause 45 of the Constitution.

2.5 BOARD COMMITTEES

The Board has established a number of standing Committees to assist the Board's effective functioning. These include those regulated by APRA and those determined by the Board as necessary. Current required committees:

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee

A list of current Board Committees, their current Chairs and Charters is contained in Appendix C

Minutes of Committee meetings are tabled at the next succeeding Board meeting after the relevant committee meeting for noting and discussion and, where recommendations are made, consideration of such recommendations.

Directors are expected to serve on selected standing Board Committees. The Membership of Board Committees is determined by the Board from time to time subject to availability and potential contribution of individual Directors.

2.6 PERFORMANCE REVIEW PROCESS

Each year the Board will meet at least once each year to review the performance of:

- the Board;
- the Board Committees;
- MCU;
- MCU Chief Executive Officer;
- the relationship between the Board and Chief Executive Officer; and
- matters of general corporate governance.

At least once every year, the Board Chair will conduct a review of the performance and contribution to the Board of each Director. The Board Nomination Committee will conduct an annual assessment of each individual Director's fitness and propriety to be and act as a Director of MCU by reference to MCU Fit and Proper Policy. In conducting the assessment, the Board Nomination Committee will have regard to the results of the annual performance review of each Director referred to above.

If the Board Nomination Committee makes a determination that a particular Director is not fit and proper to continue as a Member of the Board or stand as a candidate for renewal, it will refer the matter to the Board who will then conduct an assessment of the Director's fitness and propriety to be and to act as a Director by reference to MCU's Fit and Proper Policy. If the Board determines that the Director is not a fit and proper person to continue as a Member of the Board or stand as a candidate for renewal, the Director must forthwith vacate their office.

If the Board Chair determines that a particular Director's performance was unsatisfactory it may recommend to the Board that the particular Director should not continue as a Member of the Board or, in the case of a Director due to stand for renewal at an AGM, that they should not stand for renewal.

The Board will review the performance of the Chief Executive Officer at least once every year.

2.7 CODE OF CONDUCT

Board Members are expected to observe the highest standards of ethical behaviour. The Board supports and encourages policies within MCU which ensure that Directors and Staff observe high standards of personal integrity and display honesty in all their dealings.

Board members will act in accordance with the guidelines set out below:

- Board members must represent un-conflicting loyalty to the interests of the membership. This accountability supersedes any conflicting loyalty such as that of advocacy or interest groups and membership on other Boards. It also supersedes the personal interest of any Board member acting as a consumer of the organisation's service.
- Board members avoid conflict of interest with respect to their fiduciary responsibility.
- Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of MCU and preclude themselves from any discussion or vote related to that potential conflict.

- Board members will annually disclose their involvements with other organisations, with vendors, or any other associations that might produce a conflict.
- Board members will not engage in any self-dealing or conduct of private business or personal services with the organisation except as procedurally controlled to assure openness, competitive opportunity, and equal access to inside information.
- Board members must not use their positions to obtain employment within the organisation for themselves, family members, or close associates. Should a member desire employment, he or she must first resign from the Board.
- Board members' interaction with the Chief Executive Officer or with staff will be in accordance with Board authorised actions.
- Board members' interactions with the public, the press, or other entities must recognise the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions.
- Board members will respect the confidentiality of the Board.

2.8 BOARD MEETINGS

The Board shall meet as often as deemed necessary by the Directors in order to perform their duties and responsibilities as Directors and as dictated by the needs of business. It is expected that under normal circumstances the Board will meet at least once each month.

Rule 60 of the Constitution governs the appointment of a Chair of the meetings of Directors. At the discretion of the Board, the Directors may also elect a Deputy Chair. In addition to the functions and responsibilities of a Director as outlined in this Charter, the Chair has particular responsibilities which are outlined in Appendix B.

Directors have a duty to question, request information, raise any issue which is of concern to them, fully canvas all aspects of any issue confronting MCU and cast their vote on any resolution according to their own judgment.

Directors will keep confidential Board discussions, deliberations and decisions except where decisions are required to be publicly disclosed. Confidential information received by a Director in the course of the exercise of Directorial duties remains the property of MCU and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been properly authorised, or is required by law.

The Corporations Act 2001 (Cth) requires MCU to state in its annual report the total number of Board and Board Committee meetings attended by Directors during the year together with the total number of meetings held.

2.9 LEGAL OBLIGATIONS

A Director of MCU must understand the duties of a Director, particularly in the context of MCU status as a holder of an authority under the Banking Act 1959 (Cth). In accordance with legal and statutory requirements, Directors will:

- discharge their duties in good faith and act honestly in the best interests of MCU with the level of skill and care expected of a Director of MCU;
- owe a fiduciary duty to MCU using the powers of office for proper purpose, in the best interests of MCU as a whole;
- act with required care and diligence, demonstrating commercial reasonableness in their decisions;
- act for the benefit of MCU at all times;
- make reasonable enquiries to ensure that MCU is operating efficiently, effectively and legally towards achieving its goals; and
- undertake diligent analysis of all proposals placed before the Board.

Directors decide what matters are delegated to Management and must ensure that adequate controls are in place to oversee the operation of these delegated powers.

2.10 INDEMNITY AND DIRECTORS' AND OFFICERS' INSURANCE

The Constitution makes provision for MCU to indemnify each person who is or has been a Director.

The Constitution also provides that MCU may enter into an insurance policy for the benefit of a person who is or has been a Director.

Pursuant to this provision, the Board has authorised the entering into Deeds of Indemnity between MCU and individual Directors. Such Deeds oblige MCU to maintain insurance cover (for so long as the Director remains a Director of MCU and for a period of seven (7) years thereafter) to enable MCU indemnity to be met and also document MCU indemnity as permitted under the Constitution.

MCU maintains Directors and Officers Insurance which in effect provides cover to MCU to enable it to meet its obligations to indemnify Directors under the Constitution. The relevant policy also provides cover for Directors individually. The extent and limit of such insurance cover is dependent upon the insurance market.

MCU retains the services of an insurance broking firm to provide the Board with advice in relation to this type of insurance.

MCU intends to maintain a Directors and Officers insurance policy which provides for an advancement of any sums payable for legal costs incurred by Directors in defending any claim made against them where indemnity is provided under the policy. In the event that such advancement is for any reason not available or paid under any such insurance, the Board has determined that, subject to law, MCU will advance any legal and other expenses properly incurred by a Director in defending any action brought against him or her subject to such amount being repaid as and when the matter is determined.

Where any Directors and Officers insurance policy provides indemnity for these costs any indemnity repayment will be made from the moneys received by the ADI from such insurance, the Board has authorised the entering into of any deed between the ADI and individual Directors which may be required to confirm such advancement.

3 ROLE OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is responsible for the overall management and profit performance of MCU. The Chief Executive Officer manages MCU in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals. To enable Directors to properly perform their duties, they will have access to all relevant information and employees within MCU. Directors should request the information they require or arrange for access to employees through the Chief Executive Officer. Board Committees may seek resources and information from MCU, including direct access to MCU Employees and Advisers, as the Committees require. The Chair of the relevant Committee will determine appropriate access procedures.

3.1 ACCOUNTABILITY

The Chief Executive Officer is the Board's sole link to operational achievements and conduct and all authority and accountability of staff rests with the Chief Executive Officer.

The Chief Executive Officer is to ensure that:

- All practices, activities, and decisions are lawful and meet requirements of the Constitution, APRA, and ASIC
- All financial decisions are made within the boundaries of MCU operations and policies, and within limits set from time-to-time by the Board
- The Board is fully informed and supported in its work through the provision of accurate and timely data
- Operations and equipment are sustainable
- All members are treated professionally and equitably
- Up-to-date Human Resource and Workplace Health and Safety policies guide staff conduct and treatment
- All employment, compensation and benefits to employees, consultants, contractors and volunteers are undertaken within the parameters of employment legislation and related MCU policies.

The Board will evaluate the Chief Executive Officer's performance having regard to organisational performance, and will assess the CEO against the agreed performance assessment criteria.

APPENDIX A

A director is not independent if the director:

1. is a substantial shareholder of the APRA-regulated institution or an officer of, or otherwise associated directly with, a substantial shareholder of the institution;
2. is employed, or has previously been employed in an executive capacity by the institution or another member of the group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
3. has within the last three years been a principal of a material professional adviser or a material consultant to the institution or another member of the group, or an employee materially associated with the service provided;
4. is a material supplier or customer of the institution or another member of the group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
or
5. has a material contractual relationship with the institution or another member of the group other than as a director.

APPENDIX B

Role of the Chair

In addition to the functions and responsibilities of a Director as outlined in this Charter, the Chair's responsibilities are:

1. To act in accordance with MCU governance policies, this Board of Directors Charter ethics and principles as defined from time to time.
2. To comply with the provisions of the Corporations Act and the requirements of APRA and the ASIC and any other regulatory requirements.
3. Provide appropriate leadership to the Board and MCU as a whole.
4. Ensure membership of the Board is balanced and appropriate to MCU's needs. Assist with the selection of Board committee members
5. Chair Board meetings proactively and efficiently; shape the agenda in relation to MCU's goals, strategy, budget, risk management and executive performance. Ensure that MCU is operating in accordance with its strategic plan.
6. Follow up matters arising from Board meetings to ensure they are dealt with appropriately
7. Act as the link between the Board and MCU management.
8. Establish and maintain an effective dialogue and working relationship with the CEO.
9. Set the tone for the Board, including the establishment of a common purpose
10. As far as possible, obtain all pertinent and necessary information to present to the Board to enlighten the decision-making process; ensure full and frank disclosure and discussion and that meetings are conducted with respect to all other views.
11. Ensure that all Board members contribute and that all views are heard at Board meetings.
12. Ensure that discussion at Board meetings is relevant and that consensus is reached.
13. Motivate Board members and where appropriate address underperformance or inadequacies.
14. Ensure that the process for appraising Board members individually and the Board as a whole is instituted.
15. Ensure that negotiations for the CEO's employment and evaluating the CEO's performance are instituted.
16. Ensure that a succession plan is in place for the Risk and Audit Committees, other committees, senior executives and the CEO.
17. Chair the AGM and any other general meeting of members.
18. Be available to promote MCU to members, the community and any other interest groups or individuals.
19. To represent MCU with APRA and any other regulatory authorities.
20. Conduct Board exit interviews
21. Approve Board expenses that are not in accordance with budget.