

# Corporate Governance

The Board of Credit Union SA Ltd is committed to protecting members' interests, keeping members fully informed about the performance of the Credit Union and protecting and enhancing member value.

Effective governance provides the framework to ensure the Credit Union is managed soundly and prudently by a skilled and competent Board which can make reasonable and impartial business judgements in the best interests of the Credit Union and which duly considers the short and long term impact of its decisions on members. It is also the system through which the Board is held to account for those decisions.

The Board is guided by the ASX's Corporate Governance Principles and Recommendations to the extent that they are applicable to the Credit Union as an unlisted public company and a mutual entity.

## Role of the Board

The Board is responsible for:

- setting the strategic direction for the Credit Union, providing input into and final approval of the Executives' development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- establishing and fostering a prudent and strong risk culture throughout the Credit Union;
- oversight of the Credit Union, including its control and accountability systems including the Financial Accountability Regime Act (Cth) requirements applicable to the Credit Union as an 'accountable entity';
- approving and monitoring financial and other reporting;
- appointing, monitoring and managing the performance of the Chief Executive Officer;
- approving the remuneration of the Chief Executive Officer, Executives and other designated employees in accordance with the Board Remuneration Policy and APRA's Prudential Standards;
- monitoring the Executives' performance and implementation of strategy, and ensuring appropriate resources are available;
- oversight of the Credit Union's Environmental, Social and Governance framework;
- approving and monitoring the progress of major capital expenditure, capital management, liquidity management and acquisitions and divestitures.

In undertaking these responsibilities, the Board considers the paramount interests of its members and has due regard to its other stakeholders and its role in the community.

Responsibility for the day-to-day activities of the Credit Union is delegated to the Chief Executive Officer by the Board in accordance with Board Governance Policies.

## Board Processes

The Board has established a framework for the management of the Credit Union including a system of internal control, a business risk management process, the establishment of appropriate ethical standards (values and behaviours) and Board policies.

The Company Secretary of the Credit Union is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Board meeting agendas are prepared by the Company Secretary in conjunction with the Chair and the Chief Executive Officer. Executives are able to attend and contribute to Board discussions as appropriate and Directors have other opportunities to communicate with the broader Senior Management cohort through contribution to Board papers and attendance for particular matters discussed at Board and Board Committee meetings.

The Credit Union has a Fit and Proper framework in accordance with relevant legislation. This framework ensures Directors, Executives and Senior Management are fit and proper to lead the Credit Union. The Credit Union undertakes checks before appointing a Board-appointed Director or putting forward a candidate for election as a Director.

The Credit Union has a written agreement with each Director and Executive Manager setting out the terms of their appointment as well as documentation supporting the Credit Union's compliance with the Financial Accountability Regime Act 2023 (Cth).

The Credit Union is diligent in complying with all external regulatory requirements. This includes APRA's Prudential Standards and Guidelines as well as ASIC requirements.

## Structure of the Board

The composition of the Board of Directors is determined in accordance with the Credit Union's Constitution. At all times, member-elected Directors constitute a majority of Directors. The Board comprises Non-Executive Directors all of whom are independent. The Board regularly assesses the independence of each Director.

The Board considers the need for particular skills and capabilities and the mix of skills and capabilities on the Board, industry experience, and the diversity of existing and potential Board members when assessing the composition of the Board and when appointing Board-appointed Directors or presenting candidates for election by members.

The Board currently comprises seven Non-Executive Directors, four of whom are member-elected and three Board-appointed Directors.

All Directors are eligible to vote at all Board meetings. All members of the Board are shareholding members of the Credit Union and are appointed to office in accordance with the Credit Union's Constitution.

The Board Charter describes how the Board intends to renew itself in order to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise.

## Ethical Standards

The Credit Union has developed and communicated a set of core values and implemented these in the operating and behavioural environment of the Credit Union. The core values are supported by values in action statements that outline the expected behaviours of each Director, manager and employee of the Credit Union.

All Directors, managers and employees are expected to act in accordance with the Credit Union's policies and values at all times.

In 2022, the Board approved a new Code of Conduct to guide the behaviour of all staff at the Credit Union. The Code of Conduct is available to view on the Credit Union's [website](#).

The Board also approved a Code of Conduct specific to the Directors in addition to that applicable to all staff (including Directors) which is incorporated into the Credit Union SA Board Charter.

As a member-owned financial institution, the Credit Union is also committed to complying with the Customer Owned Banking Code of Practice (COBCOP). More information about COBCOP is available at <http://www.customerownedbanking.asn.au/consumers/cobcop>.

The Board has developed policies for dealing with actual and perceived conflicts of interest at all levels of the organisation. Directors are to disclose to the Board actual or potential conflicts of interest that may exist between the interests of the Director and the Credit Union.

Where a Director has an actual, potential or perceived conflict of interest in relation to any matter under consideration by the Board, the Director must declare that conflict of interest, absent themselves from any discussion of that matter and not vote on any resolution arising from or relating to that matter. This is noted in the minutes of the meeting.

## Professional Development

The Board has a strong commitment to continuous improvement of Directors. Annual budgets are set for education and development, and Directors' professional development guidelines are specified within the Board Performance Management and Director Development Board Policy.

## Board Performance

The Board is committed to the ongoing development of both individual Directors and the Board as a whole. The Board conducts annual evaluations of the performance of the Board relative to its objectives and the performance of individual Directors with feedback provided to individual Directors and the Board as a whole on their performance against stated objectives. In 2024, the annual Board performance evaluation will be conducted internally and will incorporate a specific Governance Review.

## Director Remuneration

The Governance Committee conducts an annual review of Director remuneration taking into consideration payments made to Directors of similar sized organisations. Appropriate levels of remuneration are set for Directors including loadings for Chair positions and multiple Committee appointments.

The recommendation of the Governance Committee regarding individual Director remuneration requires Board endorsement. In the event that there is an increase from the amount previously approved by members for the total aggregate Director remuneration, approval is required by the members at the Annual General Meeting.

In accordance with Prudential Standard APS 330, the Credit Union discloses information on its remuneration practices on the Credit Union's public website under [Regulatory Disclosures](#).

## Diversity

The Credit Union submits an annual compliance report in accordance with the Workplace Gender Equality Act 2012 (Cth) with a copy of the Workplace Gender Profile Report published on the Credit Union's public website under [Regulatory Disclosures](#).

The Credit Union aims to embrace individual differences and to acknowledge the diversity of knowledge, skills and perspectives people bring to the workplace. The Credit Union maintains policies that support the inclusion and health and safety of all staff members in order to empower people to contribute their skills and fully participate, as well as to feel a sense of belonging and succeed in the workplace.

## Communication with Members

The Board encourages full participation of Members at the Annual General Meeting, either by way of virtual attendance or proxy voting, to ensure a high level of accountability and to communicate the Credit Union's strategies, goals and achievements. Important resolutions are presented to Members as special resolutions. Members are requested to vote on contested Director Elections, aggregate remuneration of Directors (only in the event of an increase in the aggregate remuneration from the amount previously approved by members) and any changes to the Constitution.

A copy of the Credit Union's Constitution is available [here](#) and this was updated post the special resolution passed by members at the 2023 Annual General Meeting held on 15 November 2023.

## Committees of the Board

While the Board of the Credit Union is responsible for the overall leadership of the Credit Union, the Board has established Board Committees to assist in discharging its duties.

Each Committee comprises only independent Non-Executive Directors of which there must be at least three. The Chair of each Committee will be elected by the Board and the Chair must be an independent Non-Executive Director (and may not be the Chair of the Board).

As part of the succession planning of the Board and to ensure that there is the appropriate mix of skills on each Committee, during FY24, the Board reviewed and approved a revised skills matrix which includes a requirement regarding the composition of each Committee based on the particular skills necessary for the Committee to support the Board in discharging its duties.

## **Audit Committee**

The Audit Committee assists the Board in fulfilling its duties by reviewing and overseeing the efficiency and effectiveness of internal controls in line with the Audit Committee Charter. The Audit Committee has responsibility for the oversight of APRA statutory reporting requirements, as well as other financial reporting requirements and internal and external control frameworks. The Audit Committee oversees the selection and appointment process of the Credit Union's Internal Auditor and makes recommendations to the Board on the appointment of the Credit Union's External Auditor.

All Committee members have free and unfettered access to senior management including persons responsible for financial management, risk management, the internal auditor and the external auditor.

The Credit Union engages an external independent auditor as required by APRA and ASIC.

## **Governance Committee**

The Governance Committee assists the Board in fulfilling its corporate governance responsibilities and makes recommendations to the Board for developing, implementing and reviewing the Board Governance policies. The Governance Committee is responsible for oversight over the Environmental, Social and Governance (ESG) activities of the Credit Union. Specific responsibilities include recommending to the Board amendments to the Credit Union's Constitution, overseeing the processes by which key corporate objectives are set and performance is monitored, overseeing matters relating to Board composition, Director tenure, succession planning, skills assessment, Director development and performance assessment, overseeing the fit and proper framework of the Credit Union and appointment of the Nominations Panel when required.

The Governance Committee is also responsible for recommending to the Board the appointment process, annual performance assessment process and the contract of employment of the Chief Executive Officer. Todd Roberts was appointed Chief Executive Officer in April 2020 and commenced in the role on 29 June 2020.

In addition to the above responsibilities, the Committee acts as the Credit Union's Board Remuneration Committee, assisting the Board in discharging its obligations in relation to APRA's remuneration requirements.

## **Risk Committee**

The Risk Committee assists the Board in fulfilling its responsibilities in relation to the Credit Union's risk management system. Specific responsibilities include risk management that arises from the balance sheet and interest rates, credit risk that arises in the credit portfolio and operational risk that includes regulatory risk, business continuity and other day-to-day business operations (including economic, contagion and reputational risks). In addition, the Risk Committee reviews the Credit Union's risk management framework and oversees the Board approved Risk Appetite Statement and associated risk culture throughout the Credit Union.

All Risk Committee members have free and unfettered access to senior management including persons responsible for financial management, risk and compliance management, the internal auditor and the external auditor.

## Risk Management

The Board is ultimately responsible for the sound and prudent management of the Credit Union. The Credit Union will comply with the law, regulatory policy statements, industry codes and organisational standards that are relevant to the business. The Credit Union has identified risks that impact on the organisation and established risk systems, frameworks, policies and procedures to effectively and efficiently manage these risks as well as supporting a strong risk management culture.

The Credit Union has a Risk Appetite Statement and Board approved policies that document its approach to risk management. These documents limit risks to prudent levels by providing a logical and systematic framework to identify, measure and manage potential risks, and to meet prudential and statutory requirements.

The Board is responsible for ensuring that the Credit Union and its staff comply with all laws and regulations governing the operations of the Credit Union. The Credit Union maintains a structured compliance management system that is appropriate for its size, nature, scale and complexity.

The Board undertakes regular reviews of the overall risk environment in which the Credit Union operates. The processes adopted by the Board include an assessment and weighting of risks and subsequently an allocation of resources and capital, as appropriate, to manage risks within levels that are acceptable to the Board.

## Financial Reporting

The Chief Executive Officer, the Executive and relevant members of Management have provided assurance in writing to the Board that the Credit Union's financial reports are founded on a sound system of risk management and internal compliance control which implements the policies adopted by the Board.

Three-year financial plans are prepared and approved by the Board annually. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

## Internal Audit

The Credit Union outsources its Internal Audit function to a professional audit firm. The outsourced Internal Audit function has unfettered access to all business lines and support functions and reports directly to the Chair of the Audit Committee.

The Audit Committee is responsible for approving the program and scope of internal and external audit activities each financial year to ensure optimum coverage of the major areas of potential risk.