

Fit and Proper Obligations and Evaluation

CPS520 sets out the Board's obligations for the evaluation of current responsible persons and those seeking election or appointment.

Fit and Proper Assessments of all Responsible Persons (being individual directors, GM, Assistant GM, Responsible Auditor, Risk & Compliance Officer, Finance Officer, Associate directors, and new nominees seeking election as directors) will be undertaken by the RaNC.

The GM and Assistant GM will assist the RaNC with assessments. This evaluation will normally be conducted in July and, for new Responsible Persons, prior to them standing for election to the Board or prior to appointment. In assessing the Fit and Proper status of the Responsible Auditor, the RaNC will consult with the Chairman of the Board Audit Committee, and will make recommendations to the full Board.

A Fit and Proper assessment will be conducted before a person becomes a Responsible Person unless they already hold the position:

- Because of a resolution of members of a regulated institution; or
- Because APRA has determined that the person is a Responsible Person under Paragraph 14 and Appendix A of CPS 520; APRA will notify LCU of such determination in writing.

Where a person becomes a Responsible Person under (b) above the Fit and Proper Policy requires an assessment to be made within 28 days of the person becoming the holder of the position.

The RaNC will require every director, the GM and the Assistant GM, and external nominee(s) for director to conduct a self-evaluation against the Prudential Standard Personal Criteria set out in the eligibility questionnaire, by commenting 'yes' or 'no' or providing brief comments as the case may be. A new member of the Management Staff will be subjected to these procedures prior to appointment. The RaNC is charged with the responsibility to satisfy itself that the criteria have been met. Where the criteria are judged not to have been met the provisions of CPS 520 will apply. The reporting obligations to APRA are prescribed in CPS 520 and must be followed. This includes an annual report to APRA with an updated listing of responsible persons including any key changes to previously reported information and within 14 days of the close of the financial year.

Police and ASIC clearances are obtained for all Responsible Persons in conjunction with conducting the annual Fit and Proper evaluation. Further, the Board will accept an annual statement from the Responsible Person that no event has occurred since the previous check that would make that person ineligible to hold Office.

The Board will exclude from the RaNC a retiring director (i.e. Chairman and/or Deputy) seeking re-election, replacing that director with one not seeking re-election at that time. The Fit and Proper evaluation is to be conducted at a time appropriate to the calling of nominations for directors, and with sufficient time to conduct Police checks etc. Any director seeking re-nomination will be excluded from the RaNC for that year.

The RaNC will require external nominee(s) for director to conduct a self-evaluation against the Prudential Standard Personal Criteria set out in the eligibility questionnaire, by commenting yes or no or brief comments as the case may be. The RaNC is charged with the responsibility to satisfy itself that the criteria have been met. Where the criteria are judged not to have been met the provisions of CPS 520 will apply.

If a person is assessed as not fit and proper for a responsible person position LCU will:

- not appoint the person to the position;
- terminate the person's engagement if they are an existing responsible person; or

- redefine the person's responsibilities. This may be an option if it is thought that further enquiries or further training or experience may change the fit and proper assessment result.

APRA will be advised within 10 business days if any director or management staff who, in the Board's opinion does not meet the substance and intent of the fit & proper criteria above including particulars on why the person does not meet criteria and the actions taken by LCU in regard to that person.