

# LCU Board Charter

## 1.1 Introduction

The LCU Board's primary aim is to operate a sustainable mutual financial institution serving its members who are its customers. LCU will operate in a responsible manner with stakeholders.

The Board will act responsibly, honestly, fairly, diligently and in accordance with the law.

The Board will promote and maintain an environment that establishes the principles and approaches in Section 1.1 and 1.2 as basic guidelines for its employees.

## 1.2 Purpose and Role

### 1.2.1 The Board is responsible for:

- Setting the direction, strategies and financial objectives for LCU and monitoring the implementation of these policies, strategies and financial objectives;
- Monitoring compliance with regulatory requirements, ethical standards and external commitments; and
- Appointing, and reviewing the performance of the General Manager and Assistant General Manager.

### 1.2.2 In performing the responsibilities set out above the Board will act at all times:

- To create and build sustainable value for member shareholders as a mutual financial institution;
- In accordance with the duties and obligations imposed upon them by the Constitution and the law; and
- With due regard to LCU's corporate responsibility objectives, and the importance of LCU's relationship with all stakeholders and the communities and environments in which LCU operates.

## 1.3 Powers

In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- Appointment of the General Manager and Officers who report directly to the General Manager including the Assistant General Manager and Risk and Compliance Officer, and determination of terms and conditions (including remuneration);
- Any matters in excess of any discretions that it may have from time to time delegated to the GM, including in relation to credit transactions, market risk limits and expenditure;
- Approval of the budget and strategic plan, at least annually;

- Significant changes to organisational structure and the appointment of senior officers as the Board may determine;
- Making public statements which reflect significant issues of LCU policy or strategy; and
- Any changes to the discretions delegated by the Board.

## 1.4 Special Responsibilities

The Board has a specific responsibility to:

- Monitor and assess management's performance in achieving strategies and budgets approved by the Board;
- Set criteria for, and evaluate at least annually, the performance of the GM; and
- Review on a regular and continuing basis, succession planning, and director and management development activities.

## 1.5 Board Membership

- The Board must have a minimum of five directors;
- The Board must have a majority of independent non-executive directors at all times as per the criteria for independence in Section 1.6;
- The Chairman must be an independent non-executive director;
- A majority of directors present and eligible to vote at all Board meetings must be non-executive;
- The Chairman cannot have been the CEO at any time during the previous three years. If the position of CEO is unexpectedly vacated, the Chairman may serve as interim CEO. After a period of 90 days approval must be sought from APRA to allow this arrangement to continue;
- There must be at least one independent non-executive director who has financial expertise;
- Directors of LCU must be Australian residents; and
- No single individual or shareholder group should be able to exercise undue influence over the Board its policies or operations.

## 1.6 Independence

The test of independence of directors as prescribed in Australian Prudential Standard CPS 510 is as follows: CPS 510 states that a Director is not independent if he/she:

- Is a substantial shareholder of the regulated institution or an officer of, or otherwise associated with, a substantial shareholder of the regulated institution;
- Is employed or has been previously been employed in an executive capacity by the regulated institution or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;

- Has within the last three years been a principal of a materially professional adviser or a material consultant to the regulated institution or another group member, or an employee associated with the service provider; or
- Is a material supplier or provider or customer, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.

## 1.7 Meetings

Board meeting papers will be distributed to Directors at least one week prior to each Board meeting to enable Directors to read the papers and properly prepare for the meeting.

Draft minutes of each Board meeting shall be prepared by the AGM promptly following the meeting and distributed to the Board within seven days. The draft minutes shall be tabled at the next Board meeting for review, corrections and adoption by the Board.

Minutes of Board meetings will be recorded in sufficient detail so that Board decisions are fully traceable and transparent.

## 1.8 Board Committees

The Board has established Board Committees for the purpose of overseeing critical functions. Under CPS 510 the critical functions are Audit and Risk Management.

While some duties of directors may be delegated to Board Committees, the Board remains ultimately responsible for ensuring that those duties are performed.

Board committees must report regularly to the Board. Each committee, apart from regular meeting reports, also provides an annual report to the Board: a summary of its activities and effectiveness.

A Director may sit on more than one committee provided there is no material conflict of interest through such participation.

The Board has established the following Committees, each with Terms of Reference which are reviewed at least annually. The current Committees are:

- Board Audit Committee
- Board Risk Committee
- Remuneration and Nominations (RaNC) Committee
- Budget Committee

## 1.9 Board Evaluation

The Board shall undertake an annual performance evaluation of itself, the method of which it determines as appropriate, that:

- Includes a comparison of the performance of the Board with the requirements of its Charter, and against any goals and objectives previously set out by the Board in its Policy Manual;
- Sets forth the goals and objectives of the Board for the upcoming year and for any other longer period as the Board may determine; and
- Effects any improvements to the Board Charter deemed necessary or desirable.