

# Group Corporate Governance Policy

## **An overview of this Policy:**

The aim of this policy is to document the Community CPS Australia Group's (CCPS Group) approach to the maintenance of an effective corporate governance framework.

## **Who should use this policy:**

This policy should be used by Directors and management.

## **Member and or internal Customer Service Expectation:**

CCPS members and staff expect the group to operate in accordance with an adequate corporate governance structure.

## **External References applicable to this Policy:**

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of the Australian financial services industry.

Community CPS Australia Ltd (Community CPS) is an authorised deposit-taking institution (ADI) and is regulated by APRA in accordance with the *Banking Act 1959* (the Act). CCPS is the only CCPS Group member that is an ADI. As an ADI, Community CPS must adhere to APRA's prudential requirements at all times.

Prudential Standard APS 510 Governance sets out minimum foundations for good governance of financial institutions

## **Risk Consequences:**

Significant consequences may result from the failure to implement and maintain an adequate corporate governance structure. Governance obligations include strategic oversight, risk management and compliance, Board conduct / performance / remuneration, and ethics and social responsibility issues for the organisation.

These consequences may include financial or asset loss, action by a regulatory authority, and a threat to the continuity of operations and reputation of the CCPS Group.

## **The Obligations of this Policy:**

### **1 Policy Maintenance**

#### **1.1 Authority to Exercise Rules**

The Company Secretary is responsible for identifying any changes to the requirements of APS 510 and recommending appropriate policy amendments to the Board Governance Committee.

#### **1.2 Authority to Amend Policy**

Proposed amendments to this policy must be submitted by the Company Secretary to the Board via the Board Governance Committee for approval.

#### **1.3 Policy Review**

The policy is to be reviewed by the Board Governance Committee as the need arises or at intervals not exceeding 24 months.

#### **1.4 Owner**

The policy owner is the Board of Directors.

## **2 Corporate Governance Framework**

### **2.1 Policy Application**

This policy recognises that Community CPS has a number of controlled entities. Collectively Community CPS and the controlled entities shall hereinafter be referred to as the CCPS Group. This policy applies to all entities and operations of the CCPS Group.

### **2.2 Key Policies / Documents**

The key policies/documents that are relevant to the maintenance of a sound governance framework include:

#### *2.2.1 Policies*

1. Fit and Proper;
2. Board Delegations of Authority;
3. Group Risk Management;
4. Group Compliance;
5. Board Composition and Performance;
6. Conflicts of Interest;
7. Community CPS Remuneration – Non-Executive Directors;
8. Directors Code of Conduct;
9. Board Member Professional Development; and
10. Privacy.

#### *2.2.2 Documents*

1. Corporate Governance Charters and Corporate Governance Compliance manuals (Community CPS and Eastwoods Group);
2. Constitutions of Community CPS Group controlled entities;
3. Board Audit and Finance Committee Terms of Reference;
4. Board Risk Committee Terms of Reference;
5. Board Governance Committee Terms of Reference;
6. Nomination Committee Terms of Reference; and
7. Values in Action, Movement's Code of Ethics and Duties to Stakeholders, and Mutual Banking Code of Practice.

### **2.3 Other Relevant References**

These include:

1. APRA Prudential Standards;
2. ASX Corporate Governance Council Corporate Governance Principles and Recommendations 2<sup>nd</sup> Edition;
3. Accounting Professional and Ethical Standards Board – APES 320 Quality Control for Firms (Eastwoods Group only); and
4. Relevant rulings and guidelines issued by professional associations relevant to the Eastwoods Group.

### **2.4 Corporate Governance Approach**

The Board has adopted a best practice approach to corporate governance through the application of the Corporate Governance Principles and Recommendations, 2<sup>nd</sup> Edition, developed by the ASX Corporate Governance Council.

Whilst duties set out in the Corporations Act represent the minimum corporate governance requirements, Community CPS recognises that corporate governance best practice requires organisations to go beyond meeting their legal requirements. The main provisions of the Corporations Act which set the statutory context for the regulation of corporate governance are:

1. the business of a company is to be managed by or under the direction of its directors (s198A – replaceable rule);
2. appointment of a managing director (s201J – replaceable rule);
3. directors owe various fiduciary and statutory duties to act in good faith and for a proper purpose (s 181) and to avoid conflicts of interest (ss 182 and 183);
4. financial benefits to directors and other related parties require shareholder approval where terms are not at arm’s length (chapter 2E);
5. directors owe a duty of care, diligence and skill (s 180);
6. directors may rely on information provided by others (s 189) or delegate their powers (s 190) where they are properly informed and the reliance or delegation is reasonable in the circumstances;
7. a statutory derivative action enables a shareholder to bring an action on behalf of a company where the company fails to do so (ss 236 – 242). Such an action might involve the enforcement of rights against directors who breach their duties to the company;
8. there are various provisions regulating company meetings in Pt 2G aimed at ensuring effective shareholder participation; and
9. insider trading and other market misconduct are prohibited in chapter 7.

The overall objective of Community CPS’ corporate governance practices is for Community CPS to be transparent in all its dealings and to promote awareness of a dedication to quality in all areas of Community CPS’ business.

## **2.5 Board Committees and Committees established by the Board**

### *2.5.1 Board Governance Committee*

The purpose of this Committee is to:

1. ensure there is a robust and effective process for evaluating the performance of the Board, Board Committees and individual directors;
2. monitor developments in corporate governance and make recommendations to the Board on any changes to governance practices of the Community CPS Group that the Committee regards as necessary or desirable;
3. review the development of and approve all corporate governance policies and principles applicable to the Community CPS Group;
4. monitor compliance with APS 510 Governance and the principles and recommendations of the ASX Corporate Governance Council;
5. ensure an appropriate Board and Committee structure is in place; and
6. discharge any other responsibilities delegated to the Committee by the Board from time to time relating to governance generally.

### *2.5.2 Board Audit and Finance Committee*

This Committee considers any matters relating to the financial affairs of Community CPS and its subsidiary companies. It also considers matters concerning the Community CPS Group’s Internal and External Audit.

The primary objective of the Committee is to assist the Board of Directors in discharging its responsibilities in relation to finance and audit and enhancing the credibility and objectivity of Community CPS’ financial reporting.

### *2.5.3 Board Risk Committee*

The purpose of this Committee is to consider any matters where there is exposure of the Community CPS Group to possible economic or financial loss, damage, or injury as a consequence of pursuing its business. Risk management means systematically identifying, analysing, assessing, treating, monitoring and communicating the risks associated with a business activity, function or process in a way that enables Community CPS to minimise losses and maximise opportunities.

#### 2.5.4 *Nomination Committee*

The purpose of the Committee is to:

1. assess each person who is nominated as a candidate for a directors' election, or who is a retiring elected director standing for re-election, and provide a report to the Board of its assessment of each person; and
2. on an annual basis, seek information and advice as considered appropriate and, based on analysis of the information and consideration of the advice, make a recommendation to the Board on the levels of remuneration for the Board and Board Committees.

#### 2.5.5 *Terms of Reference*

All Board Committees and Committees established by the Board have terms of reference that are reviewed on a regular basis and all amendments to the terms of reference must be approved by the Board.

### **3 Internal Audit**

#### **3.1 Internal Audit Function**

In compliance with APS 310, Community CPS has an independent internal audit function.

If Community CPS does not believe it is necessary to have a dedicated internal audit function, it will apply to APRA in writing seeking an exemption from this requirement and setting out reasons why it believes it should be exempt.

### **4 Board and Senior Management**

#### **4.1 Charter**

The Board will maintain a corporate governance charter that sets out the roles and responsibilities of the Board.

#### **4.2 Delegations of authority**

The Board will ensure that an up-to-date and appropriate Board Delegations of Authority policy is maintained and will monitor the exercise of delegated authority.

#### **4.3 Senior management**

Members of senior management will ordinarily be resident in Australia.

#### **4.4 Meeting with APRA**

Directors and members of senior management will be available to meet with APRA on request.

#### **4.5 External auditor**

The Board will provide the external auditor with the opportunity to raise matters with the Board.

### **5 Provision of Information to APRA**

#### **5.1 Officer, employee or contractor**

Community CPS will not constrain or impede a prospective, current or former officer, employee or contractor from:

disclosing information to APRA;

1. discussing issues with APRA of relevance to the management and prudential supervision of Community CPS; or
2. providing documents under their control to APRA

that may be relevant in the context of the management or prudential supervision of Community CPS.

**Acceptable Deviations to this Policy**

There are no acceptable deviations to this policy.