

Board Charter

Purpose

- 1) The purpose of this Charter is to outline the role, responsibilities, membership and operation of the Board, adopting principles of good corporate governance and practice.

Role and responsibilities of the Board

Key responsibilities

- 2) The Board's key responsibilities are to:
 - a. oversee the sound and prudent management of HPC;
 - b. provide input into, review and approve HPC's vision statement, values, corporate identity, strategies, performance and financial objectives and maintain oversight of HPC's culture and ethics;
 - c. deliver a "Tone from the Top" and thought leadership via strategic decision making that reflects the company's values, culture and ethics, as well as its approach to risk;
 - d. select and appoint the Chief Executive Officer;
 - e. assess HPC's financial position and performance and hold management to account for the achievement of HPC's objectives;
 - f. adopt and monitor an appropriate governance framework for HPC including systems of control and accountability to members, other stakeholders and the community;
 - g. oversee the operation of the risk management framework by management;
 - h. review and approve systems of risk management (covering financial and non-financial risks, emerging and strategic risks and a sound risk management culture), and ensure it recognises the uncertainties, limitations and assumptions attached to the measurement of each material risk.
- 3) In carrying out its role, the Board is required to:
 - a. represent members, promote and protect the interests of HPC in both the short and long-term and provide leadership, strategic guidance and oversight of HPC;
 - b. operate in accordance with the duties and obligations imposed by the Constitution and various laws and regulatory requirements. If there is any inconsistency between the Board Charter and a law or the Constitution, the law takes precedence over the Constitution, which takes precedence over this Charter; and
 - c. govern HPC having regard to the Directors' duties to the Company, the members as a whole and, where appropriate, other relevant stakeholders.

Matters reserved for the Board

- 4) Delegations of Authority
 - a. determine the nature of delegations to management and authorisation limits, and review and approve decisions above those levels; and

- b. monitor the exercise of delegated authority.
- 5) Conduct and culture
- a. set, approve and monitor compliance with the Code of Conduct;
 - b. oversee the HPC Work Health and Safety program; and
 - c. maintain a focus on continuous improvement in HPC's performance to build sustainable value for members.
- 6) Risk Management and Compliance
- a. review and approve systems of risk management and compliance, prudent and effective internal controls and codes of conduct;
 - b. set the risk appetite within which management is expected to operate, and approve the risk appetite statement and risk management strategy;
 - c. maintain and promote comprehensive awareness of prudential obligations and prudential risk amongst Board and Committee members, senior management and leaders of functions linked to prudential management;
 - d. form a view of the risk culture of HPC and the extent to which that culture supports HPC's ability to operate consistently within its risk appetite, identify any desirable changes to the risk culture and ensure that HPC takes steps to address those changes;
 - e. make HPC's annual risk management declaration;
 - f. approve and monitor HPC's risk culture framework;
 - g. satisfy itself that an appropriate framework exists for relevant information to be reported by senior management to the Board;
 - h. set clear direction and expectations with regard to risk management and risk culture, provide oversight and challenge in the discharge of their responsibilities consistent with contemporary leading governance practice;
 - i. ensure HPC maintains an appropriate level and quality of capital commensurate with the type, amount and concentration of risks to which HPC is exposed;
 - j. ensure HPC maintains a liquidity management policy, funding strategy and contingency funding plan;
 - k. oversee the nature and level of credit risk which HPC undertakes and make sure HPC has credit risk management policies, procedures and controls appropriate for its complexity, scope and scale and internal controls in accordance with regulatory requirements;
 - l. oversee and make sure information security is managed in a manner commensurate with the size and extent of threats to HPC's information assets, and which enables the continued sound operation of HPC;
 - m. assess compliance with the letter and spirit of regulatory requirements and policies to ensure HPC meets its statutory and regulatory obligations; and
 - n. with respect to HPC's Anti Money Laundering/Counter Terrorism Financing Program (**AML/CTF Program**):
 - review and approve the AML/CTF Program Part A; and
 - oversee the appropriateness of the risk-based systems and controls to manage Money Laundering/Terrorism Financing risk under the AML/CTF Program, including material changes to systems and controls that are made based on the outcomes of

the risk assessment process or in response to the feedback from AUSTRAC.

- 7) Strategy
 - a. review, provide input into, approve and monitor the strategic development process, strategic plan and business plan; and
 - b. monitor management's performance and progress on the implementation of strategy, and that appropriate resources are available to implement the strategy.
- 8) Member, Stakeholder and Community Outcomes
 - a. provide accountability to members, stakeholders and the community through:
 - responsible reporting to members;
 - statutory/regulatory compliance and reporting as required to relevant regulators; and
 - communications, where required, with key stakeholders including employees, alliance partners, suppliers and regulators; and
 - b. maintain a focus on continuous improvement in HPC's performance to build sustainable value for members.
- 9) Policy Governance
 - a. provide input into, oversee, evaluate, review and approve Board policies, including those required as an APRA-regulated institution, and ensure such policies are consistent with the established risk appetite and risk management strategy.
- 10) External and Internal Auditors
 - a. approve the appointment or removal of the external auditor;
 - b. approve the appointment or removal of the Head of Internal Audit; and
 - c. approve the terms of engagement of the external auditor, including remuneration.
- 11) Financial and Capital Management
 - a. approve and monitor the progress of major capital expenditure, capital management, funding strategy, significant strategic commitments, mergers and acquisitions and divestitures;
 - b. monitor, review and approve external financial and other reporting, including reviewing processes aimed at ensuring the integrity of financial and other reporting;
 - c. oversee capital adequacy strategy and processes, and approve any changes to the internal capital adequacy assessment process; and
 - d. review and approve annual budgets and monitor financial performance.
- 12) Appointments, Performance and Remuneration
 - a. approve the HPC Remuneration Policy and oversee HPC's remuneration framework and its effective application;
 - b. determine the terms of employment (including remuneration) of the Chief Executive Officer, and plan for the succession of the Chief Executive Officer;
 - c. approve the appointment and terms of employment (including remuneration) of the other Senior Executives and Head of Internal Audit;
 - d. approve the Key Performance Indicators (**KPIs**) and structure of the variable remuneration arrangements and performance management framework for the Chief Executive Officer's annual review, and the Chief Executive Officer's setting of KPIs and structure of the variable remuneration arrangements and performance

- management framework for the direct Chief Officer reports. This should include a clear downward-adjustment process for any in-period adjustments, malus and where appropriate deferral or clawback of incentives;
- e. approve the setting of KPIs, structure of variable remuneration arrangements and performance management framework for the Head of Internal Audit's annual review;
 - f. review and evaluate the annual performance of the Chief Executive Officer and direct Chief Officer reports, (with material weight to measures of non-financial risks that could materially impact the entity's risk profile, sustainable performance and long-term soundness);
 - g. approve remuneration arrangements and outcomes including variable remuneration, as follows:
 - individually for Senior Managers, including of the Chief Executive Officer and direct Chief Officer reports;
 - individually for the Head of Internal Audit;
 - individually for the vesting of deferred variable remuneration, including variations due to specific exceptions in accordance with the Remuneration Policy; and
 - on a cohort basis for Material Risk Takers and Risk and Financial Control Personnel, including making adjustments to variable remuneration outcomes where required to align with performance, risk and conduct outcomes;
 - h. approve Director remuneration levels, including for the Chairman, Deputy Chairman and Committee Chairs, if applicable;
 - i. approve termination payments for executive directors and executives where they vary to contractual obligations and/or Board discretion is required; and
 - j. consider the recommendations of the Remuneration and Governance Committee in respect of the matters referred to in paragraphs 12a. to 12i. above.

Director Expectations and Access to Advice

- 13) Each Director will exercise their powers and discharge their duties in good faith and with integrity, due care, skill and diligence and in accordance with the Code of Conduct.
- 14) Each Director will ensure that no decision or action is taken that has the effect of placing their own interests (actual, potential or perceived) over the interests of HPC. Such interests are to be declared as required by the Conflicts of Interest Policy if they arise.
- 15) Each Director is expected to make an effective contribution to the Board's deliberations and activities and devote sufficient time to discharge their duties as Directors.
- 16) Each Director commits to the collective group decision making processes of the Board and will always respect the contributions of others and strive to understand different perspectives.
- 17) Each Director will endeavour to attend in-person Board meetings unless the Chairman and CEO agree that a meeting will be held virtually.
- 18) Each Director will lead by example, including role-modelling risk awareness and effective risk management practices, and providing leadership and strategic direction that adds value to HPC, and visibly promoting HPC's values and culture.
- 19) Each Director is expected to undertake professional development to maintain and develop the skills and knowledge required to fulfil their responsibilities as a Director.
- 20) Subject to the Chairman providing his or her consent, Directors may obtain legal or other

professional advice at HPC's cost provided that the advice relates to the carrying out their duties as a Director of HPC. If the advice has broader application for other Directors or the Board as a whole, the Chairman may allow the advice to be shared with such other Directors or the Board, as the case may be provided that such disclosure would not waive any legal professional privilege attaching to the advice.

- 21) Directors have the right to obtain, at their own expense, legal or other professional advice at any time.

Relationship with Management

Chief Executive Officer

- 22) The Board delegates to the Chief Executive Officer the authority to manage the day-to-day affairs of HPC and the authority to control the affairs of HPC in relation to all matters other than those reserved to the Board and its Committees. Details of the authority retained by the Board and the limits on the authority delegated to the Chief Executive Officer are set out in the Delegations of Authority Policy.
- 23) The Chief Executive Officer has an overarching responsibility to refer matters to the Board for approval where those matters are strategic, significant or may substantially impact the reputation of HPC.
- 24) The Chief Executive Officer is responsible for the operational implementation of the strategic objectives approved by the Board within the risk appetite set by the Board.
- 25) The Chief Executive Officer will not allow the culture of HPC to develop or exist in a way that condones unlawful, unethical, dishonest or irresponsible conduct, or lack of integrity, respect or dignity in relationships between those involved in or affected by HPC's activities.
- 26) Within their specific responsibilities and roles, the Board and management will work together in a respectful and collegiate manner to maximise the contributions of all participants in achieving HPC's strategic objectives.
- 27) The Chief Executive Officer has authority to further delegate their authority to the members of the senior executive team.

Senior Executives

- 28) The Executive Committee supports the Chief Executive Officer in:
- a. the operational implementation of the Board's objectives within the risk appetite set by the Board; and
 - b. providing information and advice to the Board about HPC's activities and performance to enable the Board to perform its responsibilities.
- 29) Senior executives must reside in Australia and be available to meet with the Board and APRA on request.
- 30) The Board may review the division of functions between the Board and senior executives so that it continues to be appropriate for HPC.

Board Committees

- 31) The Board has established Committees to assist the Board in exercising its authority, including the responsibilities set out in this Charter. The standing Board Committees are:
- a. Audit Committee;
 - b. Remuneration and Governance Committee;

- c. Risk and Compliance Committee; and
 - d. Technology and Integration Committee.
- 32) The Board has authority to establish new Committees and to deactivate established Committees.
 - 33) The Board will as a minimum, establish Committees required by APRA's Prudential Standards.
 - 34) From time to time, the Board may convene a special purpose Board Committee or task force to consider a particular issue.
 - 35) The Board determines the terms of reference (as set out in the Committee Charters) for each of its Board Committees, which will describe the Committee's purpose, role, authority, composition, responsibilities and processes.
 - 36) The Board will review and approve the Charter for each Board Committee every three years.
 - 37) The Board will monitor the exercise of any authority delegated to a Board Committee.
 - 38) The Board will regularly review the composition of its Committees.
 - 39) The Board's Committees must: (i) set clear direction and expectations about risk management and risk culture within each Committee's areas of responsibility, (ii) cross-refer risk matters that are relevant to other Committee's jurisdictions, and (iii) provide appropriate oversight and challenge in the discharge of their responsibilities consistent with good practice.

Board Composition and Director Appointments

- 40) The Constitution sets out the requirements for the composition of the Board and the appointment of Directors. The Board shall consist of a majority of independent non-executive Directors.
- 41) All Directors must be Australian residents, Responsible Persons and meet the minimum competencies required of each Director as set out in the Board Performance and Renewal Policy.
- 42) The Board will develop and maintain a skills matrix and use it to plan for Board renewal and succession.
- 43) The Board may, from time to time, supplement its skills and knowledge through the engagement of external advisors, consultants and experts. However, collectively, the Board must possess a blend of skills tailored to HPC's current business needs and future goals.
- 44) All non-executive Directors will be engaged in accordance with the Constitution and the terms and conditions of their appointment.

Chairman

- 45) The Board will select one of its Directors to be the Chairman, subject to the requirements of the Constitution and APRA Prudential Standards. The Chairman must be an independent Director.
- 46) The Board will develop a plan for the succession of the Chairman, and will periodically review and evaluate that plan.
- 47) Subject to the requirements of the Constitution the Board may appoint a Director to chair its meetings and may appoint a Director to act as Deputy Chairman.
- 48) The Board must elect a Director present to chair a meeting (or part of it) if:
 - a. the Chairman or the Deputy Chairman is not available, or declines or is unable to act as

- the Chairman for the meeting (or part of it); or
- b. a Director has not already been appointed to chair the meeting in the absence of those persons referred to above.
- 49) The role of the Chairman is to:
- a. lead the Board and ensure that it is operating to the highest governance standards, including encouraging a culture of openness and constructive debate to foster a high- performing and effective team of Directors;
 - b. make sure the Board focuses on strategic issues and that views of members and other relevant stakeholders are clearly understood and considered by the Board;
 - c. facilitate a constructive relationship between the Board and Senior Management, to enable an effective two-way transmission of accurate, timely, relevant and clear information;
 - d. approve the appointment and participate in the final decision making process for the removal of a Chief Executive Officer or any key position that has a direct line of responsibility to the Board, other than the Chief Risk Officer; and
 - e. set the agenda for each Board meeting in consultation with the Chief Executive Officer and Chief Legal Officer and Company Secretary, ensuring adequate time is available for open discussion and debate and prioritising the most significant items. Any Director may request that an item be added to the agenda.
- 50) The Chairman has authority to speak for the Board between its meetings, including engaging with the Chief Executive Officer and representing the views of the Board and HPC to stakeholders, regulators, community and media, in conjunction with the Chief Executive Officer. The Chairman will report to the Board and Committee Chairs as appropriate on any developments in this regard between meetings of the Board.

Board Processes

Meetings

- 51) The quorum for a Board meeting is more than 50% of the total number of Directors. The majority of Directors present and eligible to vote at all Board meetings must be non-executive Directors. The Chairman does not have a casting vote in addition to his or her deliberative vote.
- 52) The Board may request or invite senior executives or external advisors to attend Board meetings.
- 53) The Board shall endeavour to have a combination of physical and virtual Board meetings throughout the course of each calendar year, with the locations for the physical Board meetings to be evenly balanced between the Company's Toowoomba or Brisbane office (or such other place in Queensland as determined by the Board) and the Company's Adelaide office (or such other place in greater Adelaide as determined by the Board).

Disclosure, access and reliance

- 54) Directors will not be constrained or impeded from disclosing information to APRA or external auditors in accordance with regulatory requirements and must be available to meet with APRA and the external auditors upon request.
- 55) HPC's external auditors will not be constrained from raising issues directly with the Board.
- 56) Board members are entitled to rely on information, advice and assurances provided by management on matters within their responsibility, and on the expertise of independent experts, provided that such reliance is made in good faith, they have independently assessed

the information and are not aware of any of any reasonable basis upon which to question its accuracy and completeness.

Performance Review and Renewal

- 57) The Board will periodically review the performance of the Board, its Committees, individual Directors and senior executives in accordance with the Board Performance & Renewal Policy. The review:
- a. is intended to ensure that the Board has leading contemporary governance skillsets for a prudentially regulated ADI and the knowledge and experience it needs to perform its role effectively, and that each Director has the capabilities needed to make an effective contribution to the Board; and
 - b. will include an assessment of the coordination and sharing of key risk information across the Board's Committees, ensuring each Committee receives the appropriate information to effectively oversee risks within its areas of responsibility.
- 58) Subject to the requirements of the Corporations Act and the Constitution, the Board may determine the allocation of the aggregate amount of remuneration among the Directors in accordance with the agreed merger transition arrangements and the Constitution.
- 59) The Board is committed to effective Board renewal and succession planning. The Board will regularly assess its composition in accordance with the Board Performance and Renewal Policy to make sure it has the skills, knowledge, experience and diversity it needs to perform its role effectively and remains open to new ideas and independent thinking, while retaining leading expertise and knowledge.
- 60) The Board is to review and approve an annual documented Director development and training plan designed to address development and training requirements as identified in the Board's skills matrix review.

Board Charter Review

- 61) The Board will undertake a formal review of this Board Charter at least every three years to make sure it remains appropriate, or more frequently if there is a material change to the HPC business or the external business or regulatory environment.

Company Secretary

- 62) The Chief Legal Officer and Company Secretary is accountable to the Board (through the Chairman) for providing effective support to the Board and its Committees and for ensuring the processes by which the Board and its Committees are supported are adequate and effective.
- 63) The Chief Legal Officer and Company Secretary will advise the Chairman, the Board and individual Directors about governance and the processes by which the Board and its Committees are supported.
- 64) The Chief Legal Officer and Company Secretary's advice and services are available to all Directors and all Committees of the Board.
- 65) The Chief Legal Officer and Company Secretary will develop and maintain the systems and processes that are appropriate for the Board and its Committees to perform their roles effectively.

Definitions

- 66) For the purposes of this document, the following definitions apply:
- a. **ADI** means Authorised Deposit-Taking Institution as defined by APRA.

- b. **APRA** means Australian Prudential Regulatory Authority.
- c. **Constitution** means the Constitution of HPC adopted by members on 16 November 2022 and as amended from time to time.
- d. **HPC** means Heritage and People's Choice Limited and its controlled entities.
- e. **Material Risk Taker** means a person whose activities have a material potential impact on HPC's risk profile, performance and long-term soundness.
- f. **Responsible Persons** has the meaning ascribed to it in the Responsible Persons, Officers and Responsible Managers Policy.
- g. **Risk and Financial Control Personnel** means persons whose primary role is in risk management, compliance, internal audit, financial control or actuarial control.
- h. **Senior Manager** has the meaning given in the Banking Act, namely a person who has or exercises any of the senior management responsibilities (within the meaning of the prudential standards) for the entity. Senior Managers is defined more particularly in CPS 520, paragraph 25 and at HPC are the Chief Executive Officer and their direct reports.

Document information

Effective Date	13 December 2023
Review Date	1 March 2026
Approver	Board
Owner	Chief Legal Officer and Company Secretary
Related documents / artefacts	<ul style="list-style-type: none"> Constitution Audit Committee Charter Remuneration and Governance Committee Charter Risk and Compliance Committee Charter Technology and Integration Committee Charter Delegations of Authority Policy Board Performance and Renewal Policy Remuneration Policy Responsible Persons, Officers and Responsible Managers Policy Outsourcing Policy Code of Conduct Conflicts of Interest Policy APRA Prudential Standards: <ul style="list-style-type: none"> • CPS 220 <i>Risk Management</i> • CPS 510 <i>Governance</i> • CPS 511 <i>Remuneration</i> • CPS 520 <i>Fit & Proper</i>