

# Service One Mutual Limited

## BOARD – COMMITTEE POLICY

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**Manager:** CEO

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**Reviewer:**

**Audit, Risk & Finance Committee;**

**Strategic Investment and Transformation  
Committee.**

## TABLE OF AMENDMENTS

VERSION	RELEASE DATE	DESCRIPTION	APPROVED BY
1.0	25 March 2010	New Policy	Board
2.0	30 June 2011	Annual Policy Review	Board
3.0	28 June 2012	APRA Review and yearly review	Board
4.0	26 September 2013	Annual Review	Board
5.0	29 January 2015	Annual Review	Board
6.0	29 October 2015	New Committee Structure	Board
7.0	14 December 2016	Annual Review	Board
8.0	12 December 2017	Annual Review	Board
9.0	6 March 2018	Revised Committee Structure	Board
10.0	28 February 2019	Revised Committee Structure and annual review	Board

The structure of the Policy is to deal, in the first two sections, with the common arrangements for the establishment, operation and reporting of the Committees established by the Board, and in relevant sections, the Board itself. The remainder of the Policy deals with the specific Terms of Reference for the individual Committees and any specific issues that are related to the operation and reporting of the individual Committees.

The procedural rules in section 2 also apply to the operation of the Board.

# CONTENTS

<b>1</b>	<b>INTRODUCTION .....</b>	<b>4</b>
1.1	DOCUMENT PURPOSE .....	4
1.2	POLICY OBJECTIVE .....	4
1.3	BOARD APPROVAL.....	4
1.4	EFFECTIVE DATE .....	4
1.5	REVIEW.....	4
<b>2</b>	<b>BOARD AND COMMITTEE STANDING RULES AND GENERAL OBLIGATIONS.....</b>	<b>5</b>
2.1	APPLICATION OF THESE RULES .....	5
2.2	BOARD COMMITTEE STRUCTURE .....	5
2.3	GENERAL OBLIGATIONS RELATED TO COMMITTEE MEMBERS .....	5
2.4	AUTHORITY OF COMMITTEES.....	6
2.5	MEETINGS – CONDUCT AND QUORUMS .....	6
2.6	MEETINGS - FREQUENCY .....	6
2.7	COMMITTEE - PERFORMANCE EVALUATION.....	7
2.8	MEETINGS – ATTENDANCE BY NON-COMMITTEE MEMBERS .....	7
2.9	MEETINGS – SECRETARIAT SUPPORT .....	7
2.10	MEETINGS - MINUTES.....	8
2.11	MEETINGS – PROCEDURAL RULES .....	8
<b>3</b>	<b>MATTERS RESERVED FOR THE BOARD CONSIDERATION .....</b>	<b>9</b>
3.1	GENERAL.....	9
<b>4</b>	<b>TERMS OF REFERENCE – AUDIT, FINANCE AND RISK COMMITTEE .....</b>	<b>10</b>
4.1	PURPOSE AND RESPONSIBILITIES OF COMMITTEE.....	10
4.1.1	<i>General</i> .....	10
4.1.2	<i>Audit</i> .....	11
4.1.3	<i>Compliance</i> .....	11
4.1.4	<i>Budget</i> .....	11
4.2	COMMITTEE COMPOSITION.....	12
<b>5</b>	<b>TERMS OF REFERENCE – CONSTITUTIONAL REVIEW COMMITTEE .....</b>	<b>13</b>
5.1	PURPOSE AND RESPONSIBILITIES OF COMMITTEE.....	13
5.2	COMMITTEE - COMPOSITION.....	13
5.3	COMMITTEE - COMPOSITION.....	13
<b>6</b>	<b>TERMS OF REFERENCE – DIRECTOR NOMINATION COMMITTEE .....</b>	<b>14</b>
6.1	PURPOSE AND RESPONSIBILITIES OF COMMITTEE.....	14
6.2	COMMITTEE – COMPOSITION AND REMUNERATION.....	15
<b>7</b>	<b>TERMS OF REFERENCE –REMUNERATION COMMITTEE .....</b>	<b>16</b>
7.1	PURPOSE AND RESPONSIBILITIES OF COMMITTEE.....	16
7.2	COMMITTEE – COMPOSITION AND REMUNERATION.....	16
<b>8</b>	<b>TERMS OF REFERENCE – STRATEGIC INVESTMENT AND TRANSFORMATION COMMITTEE.....</b>	<b>17</b>
8.1	PURPOSE AND RESPONSIBILITIES OF COMMITTEE.....	17
8.2	COMMITTEE – COMPOSITION .....	17

# 1 INTRODUCTION

## 1.1 Document Purpose

This purpose of this document is to set out the responsibilities and functions delegated by the Board of SERVICE ONE to its various Board Committees as dealt with in the individual sections of this Policy.

## 1.2 Policy Objective

The overall objective of this Policy is to ensure that SERVICE ONE complies with best practice corporate governance arrangements and fulfils its regulatory obligations in relation to the establishment, conduct and outcomes from, and through, its Board Committee structure. The specific objectives of each Committee are addressed in the relevant section of the Policy related to that Committee.

## 1.3 Board Approval

The Board of Directors adopted this Policy on 28 February 2019.

## 1.4 Effective Date

The effective date of this Policy is 28 February 2019.

## 1.5 Review

The Board is responsible for the review and any recommendations for change in respect of Section 2 and 3 of this Policy. The other sections are the responsibility of the specific committees dealt with in the section.

The Committees review this Policy annually and as needed.

## 2 BOARD AND COMMITTEE STANDING RULES AND GENERAL OBLIGATIONS

### 2.1 Application of these Rules

These rules shall apply to the Board and all Committees established by the Board.

### 2.2 Board Committee structure

This Policy sets out the structure of the Board Committees. The Board has determined that it will have the following committees:

- ) Audit, Finance & Risk Committee;
- ) Strategic Investment and Transformation Committee;
- ) Remuneration Committee (including Management Remuneration);
- ) Director Nominations Committee; and
- ) Constitution Review Committee.

The Board may, from time to time, establish other standing or ad hoc committees as it sees fit. All Board Committees will have terms of reference. The Audit, Finance and Risk Committee, and the Strategic Investment and Transformation Committee are standing committees. The others are ad hoc committees that the Board will delegate specific functions to and convene from time to time.

### 2.3 General Obligations related to Committee Members

Other than the Director Nominations Committee and the Director Remuneration Committee (sitting in consideration of Board remuneration matters), each Board Committee will exclusively comprise non-executive Directors who satisfy the criteria for independence as stated in the Board – Governance Policy.

Members will be appointed by the Board, and shall serve at the discretion of the Board for a period of 12 months unless otherwise determined. The Board shall appoint the chairperson, unless otherwise specifically dealt with in the Committee's Terms of Reference.

Unless otherwise specifically determined by the Board, minimum membership of each Board Committee will be three members.

## 2.4 Authority of Committees

The Committees have no Board decision making responsibilities or powers other than those specifically delegated to the Committee in writing (including in the Committee's Terms of Reference). Each Committee is to make considered recommendation to the Board on matters relevant to its deliberations.

Each Board Committee is hereby given sufficient powers to undertake its duties as outlined in its Terms of Reference or otherwise, from time to time, as directed by the Board. Without limiting the generality of the foregoing, each Committee has sufficient powers to enable it to obtain from Senior Management all information necessary for the performance of its functions and to ensure compliance with regulatory obligation relevant to its deliberations.

At all times the members of the Board and Board Committees will have free and unfettered access to Senior Management, the Internal and External Auditors, and necessary external advisors. Board Committees can, subject to the authority of the Chair of the Board, seek the assistance and advice of external advisors appointed by the Board for the purposes of the Committee. *Note: Refer to the Board Management Policy for further guidelines on Board/Staff interaction.*

Each Board Committee will operate within any budget approved by the Board for its purposes.

## 2.5 Meetings – Conduct and Quorums

Meetings of the Board or any of its Committees may be held by means of conference call or similar electronic communications equipment. This provision constitutes each Director's consent to conducting meetings in such a manner. That consent can only be withdrawn, in writing, within a reasonable period before the meeting.

The quorum for any Board meeting is set out in the Constitution.

The quorum for any Board Committee meeting shall be any two members.

Any Director may attend (but not vote at) a meeting of a Board Committee of which he or she is not a member, other than the Director Nomination Committee, for discussion on particular areas of interest to that Director.

## 2.6 Meetings - Frequency

The following frequency will apply to regular Board and Board Committee meetings:

- ) Board – bi-monthly (each even numbered month);
- ) Audit, Finance & Risk Committee – three times a year;

- ) Strategic Investment and Transformation Committee – three times a year;
- ) Remuneration Committee, Director Nominations Committee and Constitution Review Committee – ad hoc or as otherwise directed by the Board.

The Board will consider the establishment of the above ad hoc Committees at least yearly having regard to each Committee's Terms of Reference and whether current or future matters come within the Committee's Terms of Reference or other matter referred by the Board to the Committee from time to time.

The Board and all Board Committees can meet more frequently or at other times as the Board and members of the Committee consider appropriate.

## 2.7 Committee - Performance Evaluation

Each Board Committee shall produce and provide to the Board an annual performance evaluation of that Committee that:

- ) compares the performance of the Committee with the requirements of its Terms of Reference;
- ) sets forth the goals and objectives of the Committee for the upcoming year; and
- ) recommends to the Board any improvements to the Committee's Terms of Reference deemed necessary or desirable.

The report to the Board will take the form of a written report by the Chairperson of the Board Committee or any other member of the Committee designated by the Committee to make the report.

## 2.8 Meetings – Attendance by non-committee members

The Board and Board Committees can invite non-Board members to its meetings, including any of SERVICE ONE's professional advisors.

The Audit, Finance & Risk Committee will invite SERVICE ONE's External Auditor to meetings of the Committee on at least one occasion each year. That Committee will have 'in camera' sessions with the External auditors.

## 2.9 Meetings – Secretariat support

Secretariat support for Board and Board Committee meetings will be provided by the CEO, or another designated officer of SERVICE ONE, at the discretion of the Board or Board Committee Chair.

## 2.10 Meetings - Minutes

The Board and each Board Committee will prepare, save and approve minutes of its deliberations.

The minutes should reflect major items of discussion (in summary) and the points raised for or against a particular resolution. Recording of dissent from a decision will only be made in the case of serious governance or prudential issues.

The correctness of the minutes of the Board or Board Committee is a matter for the Board or Board Committee's next meeting. Amendments to minutes of the previous Board meeting involving matters of detail (punctuation, typographical errors, grammar etc) are to be notified to the Secretary in time to be included in the Board or Committee papers.

Any material changes to minutes involving matters of detail not included in the Board or Committee papers that are not resolved quickly at the meeting must be in writing and will be voted on without discussion except by a resolution of the Board or Committee.

The minutes or draft minutes of each Board Committee are to identify clearly any matters that are recommendations to the Board. Any discussion of matters referred to the Board by a Committee is to be by way of a resolution to accept the recommendation of the Committee.

## 2.11 Meetings – Procedural Rules

These rules will apply when a consensus cannot be achieved quickly and efficiently.

- ) Any discussion of matters of substance in the minutes of a previous Board meeting must be by way of a formal resolution which is seconded. (i.e. the issue lapses if there is no seconder.)
- ) Without limiting the right of Directors to ask questions of management, discussion of any matter at a Board meeting should be by way of a resolution or amendment to a resolution.
- ) Discussion of any resolution will follow the normal rules of debate. Speakers are limited to five minutes, except with the approval of the Board.
- ) Any Board member may at any time draw attention to the fact that there is no resolution before the Board meeting and request that a motion be moved (and seconded) or that discussion cease. Such a procedural resolution does not require a seconder and takes precedence over any other.
- ) The procedural rules for SERVICE ONE Board meetings apply to the meeting of SERVICE ONE Board Committees unless specifically varied by a Committee. Such variations are to be minuted by the Committee.

### 3 MATTERS RESERVED FOR THE BOARD CONSIDERATION

#### 3.1 General

Further to the Board matters reserved to its own responsibility pursuant to Sections 2.2 and 2.4 of the Board – Governance Policy the Board will also have specific responsibility for the following corporate governance issues:

- J Make, and review, corporate governance policies and practices so that they are consistent with SERVICE ONE's core values;
- J promote an environment within SERVICE ONE where good governance is part of the fabric and culture of the organisation;
- J maintenance of SERVICE ONE's status as a public company and as a mutual organisation; and
- J Discharge the duties of the Remuneration Committee. The Board may delegate, from time to time, this responsibility to a Remuneration Committee which will have the Terms of Reference as set out in Section 7 below.

Where the Board is discharging its responsibilities related to executive remuneration it will sit as the Management Remuneration Committee.

In overseeing the above corporate governance issues the Board will be responsible for the:

- J Review of best practice developments in corporate governance and current and emerging corporate governance issues;
- J Review of SERVICE ONE's corporate governance policies and outcomes;
- J Review guidance issued by the ASX Corporate Governance Council;
- J Ensure the effectiveness of policies and procedures to ensure the communication of SERVICE ONE's corporate governance policies to members, media, analysts and industry participants, including disclosure of information on the SERVICE ONE's web site;
- J Ensure Director's skills and knowledge are kept up to-date by directors participation in appropriate courses on relevant issues and practices;
- J Developing and recommending corporate governance related policies and procedures to enhance the performance of the Board;
- J Make annual recommendations in relation to the remuneration of the CEO, and other members of the Senior Management group and/or persons who the Committee believe can affect the financial soundness of SERVICE ONE; and
- J Make annual recommendations on the remuneration of, or the structure of remuneration arrangements for, any other category of person covered by the Remuneration Policy.

## 4 TERMS OF REFERENCE – AUDIT, FINANCE AND RISK COMMITTEE

### 4.1 Purpose and Responsibilities of Committee

The overall purpose and responsibilities of the Committee are:

#### 4.1.1 General

- ) To assist the Board by providing an objective non-executive review of the effectiveness of SERVICE ONE's adherence to statutory and financial reporting processes, professional accounting requirements, and oversight of internal and external audit;
- ) To oversee and monitor SERVICE ONE's policies and procedures in relation to the management and control of the following risks including but not limited to:
  - o market risk;
  - o operational risk, including outsourcing and business continuity risk;
  - o overseeing budget processes and review and report to the Board on matters in relation to financial performance; and
  - o review the performance of the investment portfolio to ensure that it is in line with the Board's policy settings and report to the Board on any issues concerning the portfolio's performance, investment settings, or future direction.
- ) To report to the Board on all material matters arising from its review and monitoring functions by the provision to the Board of the Committee's minutes of meetings or by special report, as appropriate;
- ) To review and make recommendations to risk limit structures as required; and
- ) To oversee and monitor management's annual risk assessment including the consideration of a three year Strategic Internal Audit Plan.
- ) To receive regular reports from management on global and domestic economic conditions generally and any emerging risks.
- ) To, at least annually, and in conjunction with other members of the Board, conduct a risk assessment workshop. This workshop is to coincide with the Board's strategic and audit planning cycles.

**4.1.2 Audit**

To review and make recommendations to the Board on:

- ) Financial reporting;
- ) Internal risk management controls;
- ) The effectiveness of internal and external audit processes;
- ) The appointment, removal and financial arrangements of SERVICE ONE's Auditors (both Internal and External); and
- ) The effectiveness of the Board's oversight responsibilities.

**4.1.3 Compliance**

- ) To analyse the legal obligations arising in respect of SERVICE ONE's business and to monitor the systems in place for the proper discharge of those obligations.
- ) To monitor compliance with the Board's policies and statutory requirements.
- ) To receive information and ensure that material policy, legal or control breaches which arise are being reported to senior Management and the Board and that there are appropriate mechanisms in place for dealing with such matters.
- ) To review compliance systems and procedures within SERVICE ONE to ensure that there is appropriate monitoring and disclosure to the Board of areas of operating and non-financial risk.
- ) To establish and maintain policies and procedures for SERVICE ONE employees to submit, confidentially, information about accounting, internal control, compliance, audit, and other matters about which the employees have concerns. The Committee will also have a process for ensuring employees are aware of these policies and for dealing with matters raised by employees under these policies.

**4.1.4 Budget**

- ) To monitor and review management's proposed parameters for SERVICE ONE's draft annual budget and the proposed draft annual budget, including future year forecasts;
- ) To determine, as part of the yearly budget preparation, and review, the capital available for investment, how much capital should be retained to cover operational needs of the Service One Alliance bank franchise, and capital available to generate income that can be invested in strategic community investments; and

- ) To receive and review reports from management on SERVICE ONE's performance against budget and make recommendations to the Board for changes in budget targets.

## 4.2 Committee Composition

The Committee will comprise up to three non-executive Directors as determined by the Board.

The Board will appoint the Chair.

At least one of the non-executive Directors must have formal accounting qualifications and experience.

## 5 TERMS OF REFERENCE – CONSTITUTIONAL REVIEW COMMITTEE

### 5.1 Purpose and Responsibilities of Committee

The Constitutional Review Committee will provide recommendations to the Board on the working of the Constitution in all its aspects and purposes. The Committee is an ad-hoc Committee established as required by the Board.

The Committee shall be responsible for carrying out its above purposes. In so doing it shall:

- ) review the Constitution;
- ) provide meaningful suggestions to the Board for the improvement of the Constitution;
- ) ensure that all actions taken or recommended are consistent with its Terms of Reference;
- ) ensure that suggestions presented to the Board take into account the requirements of mutuality, ASIC and other regulatory bodies;
- ) maintaining any expenditure it is responsible for within the approved Board budget; and
- ) prepare and submit to the Board for approval an appropriate budget for expenses occurred in relation to its Terms of Reference.

### 5.2 Committee - Composition

The Committee shall comprise of a minimum of two and a maximum of three members of the Board of SERVICE ONE. The Board will appoint the Chair of the Committee.

### 5.3 Committee - Composition

The Committee shall comprise up to three independent Directors. The Board will appoint the Chair of the Committee.

## 6 TERMS OF REFERENCE – DIRECTOR NOMINATION COMMITTEE

### 6.1 Purpose and Responsibilities of Committee

To undertake reviews of Members who seek to become candidates for election as a Director of SERVICE ONE. The Committee is an ad-hoc Committee established as required by the Board.

The Committee will review, annually, the current performance, skills and balance of the Board. In doing so the Committee shall take into account the skills, knowledge, experience and diversity represented on the Board. The Committee will take account of the Board and Director Skills and Experience Matrix that is included in the Fit and Proper Policy as part of this process.

Based on that review the Committee shall make a recommendation as to whether the Board's performance or balance could be improved by seeking particular candidates for that year's Board elections.

The Committee will assess all persons, including existing directors, prior to appointment or election as a director, to determine their capability and appropriateness to be a director of SERVICE ONE by reference to:

- ) SERVICE ONE's Constitution;
- ) The Board and Director Skills and Experience Matrix;
- ) the Board's Fit and Proper Policy;
- ) the Board's - Governance Policy with specific reference to the issue of director training and development;
- ) the results of an independent skills and performance assessment of the Board and Directors; and
- ) where necessary, referees reports on candidates.

The Committee will recommend to the Board which candidates should be endorsed by the Board for election. In making their recommendation the Committee will determine if all, some or none of the candidates should be endorsed to the Members as "Preferred Candidates" by the Board.

Notwithstanding the above, a Member properly nominated and being deemed 'fit and proper' by the Committee but not being a "Preferred Candidate" remains eligible to stand in the ballot for the election of Director.

## 6.2 Committee – Composition and Remuneration

The Committee will be comprised of up to three members:

- ) The Board Chair except when the Chair is due for election in which case another Director will be elected to take this position for one year; and
- ) Two other persons with an overall mix of skills, knowledge and experience who are not Directors or employees of SERVICE ONE.

The Chair of the Board shall be the Chair of the Committee. If the Chair is standing for election, the Chair of the Committee will be the Director on the Committee.

The Board will set the remuneration for the non-Director members of the Committee.

## 7 TERMS OF REFERENCE – REMUNERATION COMMITTEE

### 7.1 Purpose and Responsibilities of Committee

The Remuneration Committee is an independent Committee established by Board to review, and make recommendations to the Board on director remuneration. The Committee is an ad-hoc Committee established as required by the Board.

The duties and scope of the Committee are to liaise periodically with an external remuneration consultant specialising in director remuneration and to be guided by that consultant in making a recommendation to the Board for the appropriate level of remuneration for:

- ) individual Directors;
- ) the Chair of the Board; and
- ) Committee Chairs.

The Board will appoint the external remuneration consultant annually. The report from the external remuneration consultant will be provided directly to the Committee.

The remuneration consultant will take the following into account when assessing comparative mutual director remuneration levels:

- ) The nature of the work carried out by the Directors;
- ) The work load of Directors; and
- ) The responsibilities of Directors

### 7.2 Committee – Composition and Remuneration

The Board will appoint at least two persons with an overall mix of necessary skills, knowledge and experience who are not directors or employees of SERVICE ONE to be the members of the Committee. The Chair of the Committee will be determined by the Committee.

The Board will set the remuneration for the non-Director members of the Committee

## 8 TERMS OF REFERENCE – STRATEGIC INVESTMENT AND TRANSFORMATION COMMITTEE

### 8.1 Purpose and Responsibilities of Committee

The Strategic Investment and Transformation Committee is a committee established by the Board to review, and make recommendations on, the appropriate investment of Members' capital in accordance with the Capital Investment and Management Policy, the Social Enterprise Investment Policy and/or the Strategic Plan.

In addition the Committee is responsible for the review of the Strategic Plan and to specifically provide advice on matters that form part of the transformation agenda that the Board has agreed to as part of that Plan.

The Board will take account of the deliberations of the Committee in considering any social impact investments.

The responsibilities of the Committee are to, on behalf of the Board:

- ) Provide recommendations to the Board on potential social investment projects
- ) Review processes, procedures and tools as needed to implement the Social Enterprise Investment Policy and framework
- ) Review business cases developed by management in relation to recommended project ideas
- ) In connection with a business case for a recommended project, agree the successful outcome of the social investment project and how such success will be monitored
- ) Review risk assessments for any investment project, and monitor risk management processes, controls and monitoring for each approved investment project.
- ) Monitor the performance of outstanding social investments recommend to the Board and recommend any changes required
- ) Develop and provide periodic reports to the Board on the performance of all outstanding investments
- ) Specifically review matters contained in the Strategic Plan which are designed to progress SERVICE ONE's transformation to an Alliance Bank partner, and social enterprise, by reviewing quarterly reporting for projects and outcomes against agreed implementation timelines.

### 8.2 Committee – Composition

The Committee will be constituted by the number of Directors, from time to time, determined by the Board being at least two and no more than four. The Board will appoint the Chair of the Committee.