

## **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. The requirements are addressed below.

### **Remuneration and Nominations Committee (RaNC)**

On at least an annual cycle the Board will appoint a Committee comprising the Chairman, Deputy Chairman and at least one other Director, assisted by the General Manager to conduct a Fit and Proper Assessment of all Responsible Persons being individual Directors, General Manager, Assistant General Manager, Responsible Auditor, Risk & Compliance Officer, Associate Directors, and new nominees seeking election as Directors. In assessing the GM, the AGM will assist the RaNC. 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 hold the position:

- (a) Because of a resolution of members of a regulated institution; or
- (b) Because APRA has determined that the person is a Responsible Person under Paragraph 14 and Appendix A<sup>1</sup> 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 AGM, 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 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.

In conducting the annual Fit and Proper evaluation, after the initial Police and ASIC clearances are obtained, 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 skills based evaluation of Directors will be conducted by the Deputy Chairman (in conjunction with the Chairman), normally in March, and the outcome of such evaluation will be considered in the context of the Fit and Proper evaluation. Where necessary, a program of director development will be implemented.

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<sup>1</sup> CPS520 –5; January 2013

## **Evaluation of Director Nominations**

Where there is an external nomination by a member for the position of Director, 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.

The Fit and Proper Policies and Procedures are posted on LCU's website [www.lcu.com.au](http://www.lcu.com.au).

## **Pro Forma Documents**

The following documents are used for nomination and fit and proper assessments:

Nomination for Director (both retiring Directors seeking re-election and new nominations)

Persons nominating as a new Director are required to complete the following additional documents at the appropriate time as specified by the Annual General Meeting notice:

- Nomination and Declaration for election to the Board of Directors – Annual General Meeting Year xxxx;
- Eligibility Questionnaire for Credit Union Directors; and
- Australian Federal Police Criminal History Check Application Form.

## **Education and Skills Criteria**

Consistent with the required Corporate Governance, the Board reviews and evaluates all candidates on the following criteria. All nominees, including external candidates and those current Directors up for re-election, may be requested to attend an interview with the RaNC. Nominees will be expected to meet some if not all of the education and skills criteria as follows:

- Understand the duties and responsibilities of Directors in the Corporations Act environment;
- Demonstrate financial literacy by an ability to read and understand financial statements, i.e. balance sheets, profit and loss and cash flow;
- Demonstrate an ability to participate in and contribute to one of the Board Sub Committees and with Board Strategic Planning;
- Demonstrate a working knowledge of the financial services market in which LCU operates;
- Demonstrate an ability to contribute to the development and monitoring of LCU's strategic direction; and
- Demonstrate a conscientious willingness to contribute to the continuing success of LCU.