

NEWCASTLE PERMANENT  
BUILDING SOCIETY LIMITED  
ACN 087 651 992

# BOARD CHARTER

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## 1. Purpose

- 1.1 This Board Charter (**Charter**) provides an overview of the role, responsibilities, structure and processes of the Board of Directors (**Board**) of Newcastle Permanent Building Society Limited (**Newcastle Permanent**).

## 2. Background

- 2.1 Newcastle Permanent is a company limited by shares and guarantee that provides financial services. It is a mutual organisation where each depositor and borrower is a member of the company.
- 2.2 Members of Newcastle Permanent include both shareholder members and guarantee members. Guarantee members are those persons who are members by way of guarantee while shareholder members hold shares in the company.
- 2.3 Newcastle Permanent does not currently have any shares on issue.
- 2.4 Newcastle Permanent is regulated by the *Corporations Act 2001 (Cth)* and the *Banking Act 1959 (Cth)* and its primary regulators are the Australian Prudential Regulation Authority (**APRA**) and the Australian Securities and Investments Commission (**ASIC**).
- 2.5 Each of the Directors is an officer of Newcastle Permanent under the Corporations Act and an Accountable Person under the *Banking Executive Accountability Regime (BEAR)*. The Board is to act, collectively and individually, in accordance with required regulatory obligations and standards, including the duties of officers under the *Corporations Act* and the accountability obligations under BEAR.
- 2.6 Under BEAR, this means that each Director is required to:
  - › act with honesty and integrity, and with due skill, care and diligence;
  - › deal with APRA in an open, constructive and cooperative way;
  - › take reasonable steps in conducting their responsibilities to prevent matters from arising that would adversely affect the prudential standing or prudential reputation of NPBS. Taking reasonable steps includes having:
    - appropriate governance, control and risk management systems in place;
    - safeguards against inappropriate delegations of responsibility; and
    - appropriate procedures for identifying and remediating problems that arise or may arise; and
  - › assist Newcastle Permanent in complying with its obligations under BEAR.

## 3. Role and Responsibilities

### Role

- 3.1 The role of the Board is to oversee the sound management of Newcastle Permanent, including the overall direction, financial objectives and operational goals of the company. The Board has ultimate responsibility to Newcastle Permanent's members for the strategy, prudent management, performance and long term sustainability of Newcastle Permanent.
- 3.2 The Board is to govern, and provide overall superintendence to Newcastle Permanent, rather than manage it.
- 3.3 The Board derives its authority from Newcastle Permanent's Constitution and the laws governing corporations and banking and finance entities within the regulatory jurisdiction and governing framework that it operates.

- 3.4 The Board sets and is bound by the policies and procedures that provide detail in relation to the internal control requirements and governing rules of Newcastle Permanent.
- 3.5 Each of the Directors has a responsibility to exercise their business judgement in what they believe to be the best interests of Newcastle Permanent, and in doing so enhance the long-term value of the company.

### Responsibilities

- 3.6 To achieve this role, the Board has reserved the following responsibilities to itself:

#### *Leadership of the Company and Culture*

- › Over and above its specific duties, the Board as a body is expected to provide and exercise leadership and set an appropriate tone for the management of the company;
- › Determining the appropriate culture and values of the company and demonstrating that culture and those values through the behaviour of the Board as a whole and of each individual Director;
- › Establishing rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods, including approving the Code of Conduct;
- › Establishing a clear set of governance roles, frameworks and responsibilities, and monitoring the effectiveness of the governance practices; and
- › Appointing the Chair.

#### *Strategy Formulation*

- › Working with the senior management team in formulating the overall strategic direction and vision of Newcastle Permanent and providing final approval of the strategic direction;
- › Setting the goals of Newcastle Permanent in conjunction with the senior management team, including short, medium and long term objectives; and
- › Ensuring that the strategic direction and goals are reviewed regularly and updated or amended to reflect changes in the external and/or internal operating environments.

#### *Overseeing Planning Activities*

- › Ensuring that an appropriate set of policies are put in place to govern the operation of Newcastle Permanent and that there is a regular system of policy review and update; and
- › Approving the annual budget and major capital expenditure.

#### *Member Liaison*

- › Acting, through the Chair, as the interface and key point of accountability between Newcastle Permanent and its members;
- › Ensuring that there is a communications policy that promotes effective and timely communication with members;
- › Encouraging effective participation at general meetings; and
- › Ensuring a positive and transparent relationship is developed between the Board and the members.

#### *Monitoring, Compliance and Risk Management*

- › Ensuring Newcastle Permanent meets its obligations to customer and the community;

- › Monitoring and directing the financial and operational performance of Newcastle Permanent in partnership with the senior management team, and in particular, ensuring the company is progressing towards the goals set by the Board and in line with the agreed strategy;
- › Developing a set of internal controls to ensure that senior management are prudently and efficiently managing the company's resources;
- › Ensuring Newcastle Permanent acts in accordance with its objects and Constitution;
- › Ensuring Newcastle Permanent keeps appropriate accounting records;
- › Developing, overseeing, reviewing and ensuring the effectiveness and integrity of the risk management and compliance frameworks of Newcastle Permanent, in conjunction with the senior management team, as well as setting the risk appetite within which the Board expects management to operate;
- › Fostering, overseeing and monitoring Newcastle Permanent's compliance and risk cultures;
- › Overseeing the prompt investigation of any significant performance shortfalls or breaches in compliance standards; and
- › Making annual declarations to APRA as required under the prudential standards.

#### *The CEO and senior management team*

- › Appointing and replacing the Chief Executive Officer (CEO) and approving the terms and conditions of the appointment of the CEO and their senior direct reports;
- › Reviewing and providing regular feedback on the performance of the CEO, including formally on at least an annual basis;
- › Reviewing and approving the remuneration of the CEO and their senior direct reports in line with the performance assessment process;
- › Ensuring the accountability of senior management to the Board through the CEO;
- › Providing advice to, and acting as a sounding board for the CEO;
- › Satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board; and
- › When required, challenging the senior management team and holding them to account.

#### *Ensuring the Health, Safety and Well-Being of Employees*

- › In conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of Newcastle Permanent's work health and safety systems to ensure the well-being of all employees; and
- › Ensuring that employees are offered the training and tools necessary to fulfil their duties in a manner which protects the well-being of the members, themselves, their colleagues and the community.

#### *Delegation of Authority*

- › Delegating appropriate powers to the CEO to ensure the effective and efficient day-to-day management of the business and monitoring the exercise of these powers; and
- › Establishing and determining the powers and functions of the Committees of the Board;

#### *Audit*

- › Overseeing the integrity of Newcastle Permanent's accounting and corporate reporting systems, including the external audit;
- › Overseeing and reviewing the results of internal audits or independent reviews of Newcastle Permanent or business or functions on which Newcastle Permanent relies; and
- › Considering the appointment and removal of the external auditor for member approval.

#### *Remuneration and Performance*

- › Ensuring that the Remuneration Policy and performance management framework is aligned to Newcastle Permanent's strategy, vision, values and risk appetite.

#### *Corporate Responsibility*

- › Developing and approving the corporate responsibility strategy, monitoring the effectiveness of the strategy and approving any corporate responsibility disclosures.

#### *Diversity*

- › Setting and annually assessing measurable objectives in relation to diversity and progress against achieving them; and
- › Approving the Board's Diversity Policy.

## **4. Board Size and Composition**

### Structure and Composition

- 4.1 As prescribed in Newcastle Permanent's Constitution, Directors are elected by the members of the Company at a general meeting. Directors can also be appointed by the Board, where required, and will hold office until the next Annual General Meeting (AGM).
- 4.2 The Constitution provides that:
  - › the Board is to comprise a minimum of five and a maximum of nine Directors. At least half of the number of Directors from time to time in office, as well as the Chair, must be persons who ordinarily reside in the Hunter Region; and
  - › each Director is to be a member of Newcastle Permanent, have a minimum of \$2,000 invested with Newcastle Permanent for a period of not less than 3 years immediately prior to appointment as a Director and maintain the minimum deposit of \$2,000 throughout the Director's period of office. The Board may, in its discretion, waive any of these Director qualification requirements.

### Skills

- 4.3 Collectively, the Board must have the necessary skills, knowledge and experience to contribute to the overall governance of Newcastle Permanent, including the operating environment, risks and legal and prudential obligations that are relevant to Newcastle Permanent.
- 4.4 In this context, the Board has determined that the Directors should have a blend of skills and experience in retail banking and financial services, accounting and financial management, corporate governance, risk management and compliance, regulatory, customer and community focus, CEO or Executive-level business experience, people and culture, technology and strategy development.
- 4.5 If the election of Directors at an AGM fails to deliver an appropriate mixture of skills for the Board, the Board may appoint additional Directors to target particular skills appropriate to Newcastle Permanent.

## Independence

- 4.6 The Board is to comprise a majority of independent non-executive Directors. The Chair of the Board and each of the Committee Chairs are also required to be independent.
- 4.7 The Board has adopted the definition of independence set out in APRA's *Prudential Standard CPS 510 – Governance (CPS 510)*.
- 4.8 The Board assesses the independence of the Directors on an ongoing basis and at least formally once a year by declaration.

## Board Renewal and Tenure

- 4.9 Directors are elected by the members in a general meeting or appointed by the Directors by Board resolution until the next AGM.
- 4.10 The Directors are engaged through a formal letter of appointment that sets out the key terms of the Director's appointment, expectations of the Board, the duties and responsibilities of the Director and any special duties or arrangements attaching to their position.
- 4.11 The Directors will hold office until removed by the members or until they resign from the Board.
- 4.12 Under the Constitution, all Directors are required to retire by rotation, and by virtue of the operation of the retirement and rotation provisions, are elected for a maximum term of six years. At retirement, a standing Director can nominate for re-election.
- 4.13 At each AGM, the number of Directors who must retire will be based on the number of Directors in office at that time. If the number of Directors in office at the time of the AGM is seven or more then two Directors must retire, otherwise one Director must retire. The Directors to retire at the AGM must be those who have been longest in office since their last election, but, as between persons who were last elected as Directors on the same day, those to retire must be determined by lot, unless they otherwise agree among themselves.
- 4.14 The Board has adopted a policy on Board renewal to provide a framework that allows the Board to renew itself and ensure that as a whole it remains open to new ideas and independent thinking while also providing flexibility to retain the skills and expertise of existing Directors.
- 4.15 The Board's renewal policy is that:
  - the maximum tenure of Directors first appointed after 1 January 2012 will be 12 years from the date of their appointment to the Board;
  - the Board, in exceptional circumstances, may exercise discretion to extend the maximum tenure of a Director for a period that does not exceed two years where it considers that such an extension is in the best interests of Newcastle Permanent. Exceptional circumstances are considered to be limited to where the departure of that Director would:
    - (i) create a material gap in the current skills and experience on the Board relative to the desired skills and experience articulated in section 4.4 of this Charter; or
    - (ii) cause Newcastle Permanent to contravene the minimum requirements of the Constitution or CPS 510 regarding the composition of the Board, including in respect of independence and Board size; and
  - the Board will endeavour to have its membership composed of Directors with a mix of length of service ranging from short, medium and longer terms.
- 4.16 All Directors are appointed to, and only continue to serve on the Board on the basis of merit.

## **5. Role of the Chair**

- 5.1 The Chair is appointed by the Board as a whole in accordance with separate procedures approved by the Board. The Chair will be an independent non-executive Director and cannot have been the CEO of Newcastle Permanent at any time during the previous three years. The Chair may serve as an interim CEO for a period of 90 days if that position is vacated unexpectedly. Approval from APRA must be sought to continue this arrangement beyond 90 days.
- 5.2 The Chair will be elected for a period of no more than three years at any one time but may be elected for a shorter period. The Chair will not ordinarily serve in that role for a period of longer than nine years in total.
- 5.3 The Chair has specific responsibilities agreed by the Board and these include but are not limited to the following:
  - representing Newcastle Permanent at member meetings and public relations activities;
  - chairing and ensuring that Board meetings are effective;
  - ensuring the decisions of the Board are implemented properly;
  - being the main point of contact between the Board and CEO;
  - providing mentoring for the CEO and Board;
  - being kept fully informed of current events by the CEO on all matters which may be of interest to the Directors; and
  - ensuring that the Board's culture, tone from the top and performance is consistent with the required standards, expectations of members and Newcastle Permanent's strategy.

## **6. Role of the Company Secretary**

- 6.1 The Company Secretary is charged with facilitating Newcastle Permanent's corporate governance processes. The Company Secretary is responsible for the co-ordination of all Board business, including agendas, Board papers, minutes and relevant statutory and other filings regarding the Board.
- 6.2 The Company Secretary has a direct and independent reporting responsibility to the Board and each of its Committees. The Company Secretary reports directly to the Chair.
- 6.3 The appointment and removal of the Company Secretary will be subject to Board approval.

## **7. Board and Management Interface**

- 7.1 As indicated above, the Board determines the powers and functions that are delegated to the CEO. The CEO's delegations are outlined in the Newcastle Permanent Delegations Manual. Any matters or transactions outside the delegations of authority must be referred to the Board or relevant Committee for approval.
- 7.2 The Chair of the Board and the CEO enjoy a privileged relationship by virtue of their respective offices, the first as the leader of the Board and the second as the leader of management.
- 7.3 Notwithstanding this relationship, the CEO is accountable to the Board as a whole, rather than to the Chair.
- 7.4 The Board will, from time to time, require management to perform specific tasks, such as research, the exploration of options, the drafting of policies or the framing of recommendations, in addition to conducting Newcastle Permanent's ordinary business. The Directors do not generally commission such work individually as this is the prerogative of the Board or its Committees that is exercised by formal resolution in the Board or Committee meetings.

## Role of the CEO

- 7.5 The CEO is appointed by the Board and responsible for the ongoing management of Newcastle Permanent in accordance with the strategy, policies, programs, risk appetite and budget determined and approved by the Board.
- 7.6 The CEO's responsibilities include:
- › providing strong leadership to, and effective management of Newcastle Permanent, including to ensure it is a safe workplace for all personnel and there is an appropriate organisational culture and values;
  - › recommending the senior management team and the key terms of their appointment to the Board;
  - › developing with the Board a consensus for Newcastle Permanent's vision and strategic direction;
  - › constructing with the senior management team operational plans to implement the vision;
  - › keeping the Board informed, at an appropriate level, of all the activities of Newcastle Permanent;
  - › in conjunction with the Chair, undertaking public affairs and stakeholder relations; and
  - › carrying out the day-to-day management of Newcastle Permanent and formulating other committee and working parties from time to time to assist in the orderly conduct and operation of Newcastle Permanent.

## **8. Board Committees**

- 8.1 Under the Constitution, the Board may establish Committees to assist the Board in exercising its authority.
- 8.2 The Board has established the following standing Committees:
- › Corporate Governance & Nominations Committee;
  - › Audit Committee;
  - › Remuneration & People Committee; and
  - › Risk Committee.
- 8.3 The Board may also establish ad hoc Committees from time to time to consider matters of strategic importance or to exercise the delegated authority of the Board.
- 8.4 The Board will approve the charters of standing and ad hoc Board Committees, which will set out the roles and responsibilities of each Committee.
- 8.5 The composition of each Committee will be appointed by the Board on the recommendation from the Corporate Governance & Nominations Committee. The Committee composition will also be reviewed from time to time as considered appropriate. The composition will have regard to workload, skills and experience, and any regulatory requirements.

## **9. Conduct of the Board Meetings**

- 9.1 Newcastle Permanent's Constitution governs the regulations and proceedings of the Board.
- 9.2 The business of the Board, and by extension that of its Committees, is confidential to the Board and to the members of the senior management team with whom that business is transacted.

- 9.3 Directors are required to attend all Board meetings, member meetings and the meetings of Board Committees on which they serve, unless a leave of absence has been granted.
- 9.4 The Chair is responsible, in consultation with the CEO and the Company Secretary, for the conduct of all Board meetings. This includes being satisfied that the agendas are comprehensive, that all agenda items are appropriate and that recommendations fit within the broad strategic direction set by the Board.

## Frequency

- 9.5 The Board is required by the Constitution to meet at least every two months and generally meets no less than 12 times a year. Meetings may be convened by the Company Secretary at the request of a Director. If the Chair is not able to attend, the meeting is chaired by a Director who is a delegate of the Chair or alternatively, another Director elected by the Board.

## Quorum

- 9.6 The presence in person or by proxy at a Board meeting of at least half of the Directors then in office, or any greater number determined by the Directors, will constitute a quorum. If a quorum is not present, the meeting will stand adjourned to the same day, time and place in the next week and a new notice calling the meeting will be sent to the Directors.

## Board Agenda

- 9.7 The Board agenda is set by the Chair in consultation with the CEO and the Company Secretary. Directors may request items to be included on the agenda. The Board agenda and supporting documentation will be circulated to the Board members at least six clear days prior to each meeting.

## Minutes

- 9.8 The Company Secretary will keep minutes for all Board and Committee meetings. The minutes will be distributed within a reasonable time following the meeting. The Directors will review the minutes of a meeting and will report any edits to the Company Secretary.
- 9.9 The final draft of the Board and Committee meeting minutes (as relevant) are distributed with the meeting pack for the next meeting and tabled at that meeting. Minutes of the Board and Committee meetings are maintained by the Company Secretary with the company records.

## **10. Performance and Skills Assessment**

- 10.1 The Board will undertake an evaluation of its performance, and the performance of individual Directors, at least once per year and will commit to reviewing and implementing appropriate recommendations from such reviews. The performance evaluation process will include an assessment by an external party on a regular basis.
- 10.2 The Board also conducts a biennial skills evaluation to assess whether the collective skill requirements of the existing Directors are consistent with the desired skills for the Board.

## **11. Induction and Ongoing Director Development**

- 11.1 All new Directors will undertake an induction program that is designed to provide them with relevant knowledge regarding, amongst other things, the processes of Newcastle Permanent, Board culture and the Directors' key roles and responsibilities.

- 11.2 Induction materials should be provided to each new Director outlining key information and specific matters of interest to each Director.
- 11.3 In order to achieve continuing improvement in Board performance, all Directors are encouraged to:
- > be members of the Australian Institute of Company Directors; and
  - > undergo continual professional development.

## **12. Access to Independence Advice**

- 12.1 The Board collectively and each Director has the right to seek independent legal and other professional advice at the expense of Newcastle Permanent to assist them to carry out their responsibilities. While prior approval from the Chair is required, it may not be unreasonably withheld. In the absence of the Chair's consent, approval from the Board may be sought.

## **13. Conflicts of Interest**

- 13.1 The Directors are expected to avoid any action, position or interest that conflicts with an interest of Newcastle Permanent, or gives the appearance of a conflict.
- 13.2 A standing register of declarations of interests and related parties is maintained by the Company Secretary for a reasonable period following each declaration and will include records of:
- > other Directorships;
  - > shareholdings in other companies with which Newcastle Permanent transacts or in which it owns shares;
  - > the Director's interests in any contracts with Newcastle Permanent;
  - > any other relevant interests in matters relating to Newcastle Permanent; and
  - > any interest described above held by a spouse of the Director or body corporate controlled by the Director.
- 13.3 The register of Director interests is to be reviewed by the Board at least annually to ensure its currency. This does not derogate from Directors' ongoing obligation to disclose changes as they arise.

## **14. Regulatory Engagement**

- 14.1 The Chair and each Director will make themselves available to meet with APRA on request.

## **15. Charter Administration**

- 15.1 The Board and Committee Charters will be reviewed every year, or as required.
- 15.2 The Board Charter should be referenced regularly to ensure the Board is aware and continues to meet its obligations and objectives.