

# **BANK FIRST BOARD CHARTER**

**As adopted by the Board on 30 August 2023**

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## INTRODUCTION

Bank First's purpose is to financially empower people who build community realise their dreams.

Bank First seeks to achieve this by acknowledging its Members, its people and the communities for whom and in which it operates as important stakeholders in an ethical and responsible approach to business.

The Board of Directors (Board) derives its authority to act from Bank First's Constitution, the laws governing corporations, banking and financial services regulations, and various standards and codes under which Bank First operates.

The role and responsibilities of the Board are set out in this Charter.

Except in relation to any matters reserved to the Board under the Constitution, this Charter, and the Board's separate Delegation of Authority Policy responsibility for the day-to-day management of Bank First and its operations is delegated to the Chief Executive Officer (CEO). The CEO may delegate any of their powers to Executive Management or Management but remains accountable to the Board for those delegated authorities.

## A STRUCTURAL PRINCIPLES

### 1. Commitment

The Board of Bank First is committed to sound corporate governance as required by the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 510 Governance and Prudential Practice Guide APG 510 Governance, and supports where relevant the Corporate Governance Principles developed by the ASX Corporate Governance Council.

The commitment made by Bank First under the Customer Owned Banking Code of Practice is a legal and moral commitment to delivering on our promises to our customers.

The Board subscribes to the principle of continuous improvement in governance practices and performance and has developed and implemented a series of policies and procedures that are consistent with Bank First's values while at the same time striving for prudent financial performance and sound risk management.

In undertaking the roles and responsibilities set out in this Charter, directors will perform their duties with integrity, honesty, diligence, prudence, and transparency and in a professional manner in accordance with the law.

In the pursuit of Bank First's strategic objectives, the Board endeavours to act in the best interests of the organisation and its Members, to demonstrate care for staff, and operate as a socially responsible corporate citizen.

### 2. Role and Responsibilities of the Board

The role of the Board is to oversee governance arrangements and provide stewardship to Bank First. In particular, the Board:

- Develops and promotes Bank First's purpose, and its values.
- Appoints the Chair and Deputy Chair.
- Appoints/replaces the Chief Executive Officer.
- Appoints/replaces the Company Secretary.
- Approves the appointment of senior executives, particularly the Chief Risk Officer.

- Provides direction to management.
- Ensures an appropriate framework exists for relevant management reporting to the Board.
- Challenges management and holds them to account.
- Demonstrates ethical leadership, displaying and promoting behaviours consistent with the culture and values it has defined for the organisation.
- Creates a performance culture that drives value creation without exposing Bank First to excessive risk of value destruction.
- Makes well-informed and high quality decisions based on a clear understanding of, and insight into, the business and strategy.
- Creates the right framework for helping directors and officers meet their statutory duties under the Corporations Act, their accountabilities under the Banking Executive and Accountability Regime (BEAR), APRA Prudential Standards, and other relevant statutory and regulatory regimes.
- Is accountable, particularly to Members and others that provide Bank First's capital.
- Thinks carefully about its governance arrangements and embraces the evaluation of their effectiveness.

To ensure that it fulfils its role, the Board's responsibilities are to:

**(a) Approve Strategic Objectives and Oversee Corporate Performance**

- Ensure that systems are in place to safeguard Member funds
- Approve the corporate strategic goals and objectives and the appropriate criteria against which to evaluate performance within this context.
- Oversee performance against the corporate strategic goals and objectives.
- Agree and oversee the performance of Bank First on its Purpose and Values.
- Satisfy itself that Bank First engages in ethical and legal conduct, and that a culture of integrity and transparency is maintained.

**(b) Establish Strategic Goals, Performance Objectives and Operational Policies**

In approving the strategic objectives against which corporate performance will be measured, the Board will:

- Maintain and approve the strategic plan, operating and capital budgets put forward by management to ensure they are consistent with the strategic objectives and respond to the business environment in which Bank First operates.
- Approve strategic and key risk management policies within which management will operate.
- Assign responsibility to management for achievement of strategy, establish limits on the authority delegated to management, and oversee performance against approved objectives.
- Approve significant acquisitions, sales of assets, material financing arrangements and major transactions.
- Approve Bank First's capital management plans and the payment of any dividends.
- Set targets and measure corporate and Chief Executive Officer performance against those targets.
- Satisfy itself that a process is in place with respect to the appointment, development, evaluation, and succession of the Chief Executive Officer and Executive Management.

**(c) Delegate Authority to the CEO and Executive Management**

- Delegate to the Chief Executive Officer and Executive Management the authority to manage and supervise the business of Bank First, and make decisions regarding Bank First's ordinary course of business and operations that are not specifically reserved for the Board under Bank First's Constitution or the Board Delegation of Authority Policy.
- Ensure appropriate remuneration arrangements are in place for the Chief Executive Officer and APRA designated 'Responsible Persons'.

**(d) Monitor Disclosure**

- Ensure that Bank First accurately, responsibly and effectively reports financial and other information to its Members, other stakeholders and the public.
- Review, and where required, approve the financial statements and management's discussion and analysis, and ensure Bank First's compliance with applicable audit, accounting and regulatory reporting requirements.
- Ensure that Bank First has appropriate internal controls over financial reporting.
- Review Rating Agency announcements and disclosure.

**(e) Establish a Risk Management Framework & Internal Controls**

- Approve and maintain a risk management strategy describing the key elements of the risk management framework that give effect to the approach to managing risk<sup>1</sup>.
- Approve and maintain Bank First's risk appetite, approve the Risk Management Strategy, oversee the effectiveness of the risk management framework, and set the 'tone at the top' for a sound risk culture<sup>2</sup>.
- Provide input regarding the Bank's structure for identifying and managing each material risk to the institution, relative to its size, business mix and complexity of operations<sup>3</sup>.
- Qualify the risk management declaration, as advised to APRA, when it becomes aware of a significant breach of, or material deviation from, the risk management framework, or that the risk management framework does not adequately address a material risk<sup>4</sup>.
- Satisfy itself as to the effectiveness of both the Audit and Risk Committees through review of committee work plans, minutes and reports from the Chairs of the Audit and Risk Committees.
- Ensure that adequate internal controls and a compliance management framework are in place and working effectively.

**(f) Oversee Effective Board External Communications**

- Satisfy itself that there is appropriate communication between the Board and the Members, the public and other stakeholders.

**(g) Monitor Corporate Governance**

- Oversee Bank First's approach to corporate governance, and develop Board governance policies, manuals and guidelines.

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<sup>1</sup> CPS 220.9, CPS 220.19

<sup>2</sup> CPS 220.27

<sup>3</sup> CPS 220.9g

<sup>4</sup> CPS 220.50

- Satisfy itself as to oversight of governance arrangements through review of the Governance, Culture, Remuneration and Accountability (GCRA) Committee's work plan, and minutes and reports from the Chair of the GCRA Committee.
- Review the Board meeting plan on an annual basis.
- Adopt and ensure regular review of the Board Charter and the Charters of each committee of the Board.
- Annually assess the effectiveness and performance of the Board and its committees, as well as individual directors in accordance with the requirements set out in the Board Governance Manual.
- Determine Board delegations to the Chief Executive Officer.
- Ensure appropriate steps are taken for Board renewal and succession planning whilst maintaining sufficient skills and expertise on the Board.

#### **(h) Monitor Corporate Social Responsibility, Integrity and Ethics**

- Ensure that a sound corporate culture exists throughout Bank First.
- Maintain and provide a safe and healthy workplace for Bank First's employees and contractors and monitor compliance with Occupational Health & Safety laws.
- Adopt a Board Code of Conduct and monitor performance against the code.
- Monitor Bank First's policies and practices related to corporate social responsibility.
- Encourage wealth creation amongst Members.
- Promote mutual and co-operative enterprise.
- Monitor products, programs and services to Members to ensure they meet their financial, economic and social needs.
- Promote, encourage and bring about human and social development among individual Members and the communities in which Members work and live.
- Further the interests of Members and the communities in which they work and live through co-operation with other like-minded organisations.

### **3. Board Composition**

**3.1** The composition of the Board is determined in accordance with regulatory requirements, eligibility requirements as set out in Bank First's Constitution, skills and competency criteria as determined by the Board from time to time, and a respect for diversity. The composition requirements include:

- eligibility and tenure of Board Members;
- having appropriate and relevant experience and expertise to enable directors to discharge their duties effectively;
- meeting regulatory requirements;
- the Board collectively having the necessary skills, knowledge and experience to understand and be accountable for the risks faced by Bank First including its legal and prudential obligations and being able to ensure that Bank First is managed in an appropriate way; and
- adding value to the advancement of the strategic objectives of the Board and Mutual Bank.

### **4. Independence**

**4.1** All directors of Bank First must act independently of each other and bring an independent mind to bear on matters coming before the Board.

**4.2** The Board has adopted as its policy on independence the definition of independence in APRA Prudential Standard CPS 510 – Governance.

- 4.3 The Board will regularly assess whether each director can continue to be regarded as 'independent'. An assessment is also made as part of the annual Responsible Persons - Fit and Proper assessment.
- 4.4 It is Bank First policy that the Chair of the Board and a majority of the Board are non-executive and independent directors.
- 4.5 A director and each Committee of the Board has the right to seek independent professional advice in connection with carrying out their duties. Bank First may meet these expenses subject to the prior approval of the Chair of the Board, or if the matter relates to the actions of the Chair of the Board, the prior approval of the Chair of Audit Committee and the Chair of the GCRA Committee is obtained.
- 4.6 In accordance with the Corporations Act 2001, any director with a material personal interest in a matter must not be present when that matter is being considered and may not vote on that matter either. The Board has adopted a procedure to ensure that any director who may have a conflict of interest is precluded from considering or voting on that matter.

## **B OPERATIONAL PRINCIPLES**

### **5. Director Meetings**

- 5.1 The Board generally meets eleven times per year and otherwise as required. The Board meets together with Bank First's Chief Executive Officer and other members of management as appropriate.
- 5.2 The proceedings of director meetings are governed by Bank First's Constitution.
- 5.3 The Board Chair is responsible for:
  - Leading the Board
  - Facilitating the effective contribution of all directors
  - Promoting constructive and respectful relationships between the directors, the Board and management
  - Approving Board agendas
  - Ensuring adequate time is available for discussion of all agenda items including strategic issues
- 5.4 The Deputy Chair will:
  - Shadow the Chair in providing leadership and responsibility for the organisation and step into the Chair's role where needed.
- 5.5 The Company Secretary is responsible for:
  - All matters to do with the proper functioning of the Board
  - Supporting the effectiveness of the Board and its Committees
  - Advising the Board on governance matters
  - Monitoring that Board and Committee policy and procedures are followed
  - Coordinating timely despatch of Board and Committee papers
  - Ensuring that the business of the Board and Committees is accurately captured in the minutes.

- Helping to organise and facilitate induction and professional development of directors.

**5.6** The Chief Executive Officer is responsible for:

- Implementing the strategic objectives
- Instilling and reinforcing organisational values
- Operating within the values, code of conduct, budget and risk appetite
- Providing the Board with accurate, timely and clear information on Bank First's operations, including legal and regulatory requirements, to enable the Board to perform its responsibilities

## **6. Committees**

**6.1** The Board establishes committees to meet regulatory requirements and to more effectively fulfil Board responsibilities and achieve the objectives of Bank First. The main standing committees established and maintained are the:

(a) Audit Committee

(b) Risk Committee

(c) Governance, Culture, Remuneration and Accountability (GCRA) Committee

Under the Board Delegation of Authority Policy relating to Approval – Non Material Amendments to Board Policies, each Committee can approve non-material amendments to policies that come before it. Material amendments to policies must be submitted to the Board for approval.

**6.2** A Charter incorporating Terms of Reference, Objectives, Work Plan and Meeting Schedule is approved by the Board for each Committee and is reviewed annually.

**6.3** It is Bank First policy that the Chair of each Committee and a majority of the directors on each Committee are independent directors.

## **7. Confidentiality & Record Keeping**

**7.1** Directors, management and staff are required to sign a Confidentiality agreement or Confidentiality deed.

**7.2** In compliance with record retention and Privacy Laws, secure and thorough record keeping will be maintained.

## **8. Education and Training**

The Board has a firm commitment to continuous improvement and professional development. This is demonstrated by:

- (a) allocating funds to an appropriate education and training budget for the organisation;
- (b) directors, management and staff being obliged to undertake relevant and appropriate role training and professional development;
- (c) providing opportunities for training of directors, management and staff in order to meet regulatory requirements;



- (d) new directors, management and staff undergoing a formal induction program; and
- (e) retaining training and development records.

New director induction and ongoing professional development guidelines are outlined in the Board Governance Manual.

## **9. Visibility and Communication**

- 9.1** The Board values inclusive interactive relationships and communication with its key stakeholders – Members and their communities, regulators, and key business associations and partners.
- 9.2** Communications initiated through the Board include articles by directors in Bank First's monthly newsletter and presentations by the Chair at general meetings of Members.
- 9.3** Members are to be provided with material information concerning Bank First including its financial position, performance and governance in a relevant, transparent and timely manner.
- 9.4** Information about Bank First that is communicated to Members will be factual, presented in a clear and balanced way and contain all material information necessary to enable Members to make an informed judgement about the information provided.
- 9.5** The Board will maintain proactive communications with Bank First's key regulators.
- 9.6** A corporate Governance Statement is disclosed to Members annually.

## **10. Monitoring and Assessment**

- 10.1** Bank First uses industry and internal benchmarks, and market research as indicators to assess Bank First's performance.
- 10.2** Each director as a holder of a Responsible Person position undertakes an eligibility assessment prior to appointment or election and annually thereafter in accordance with Bank First's policy. Performance assessments of the Board collectively, individual directors, CEO, management and staff are undertaken regularly.
- 10.3** Internal and external auditors provide assessments to the Board in relation to regulatory risk management systems, internal control management systems, prudential and statutory reporting, compliance obligations and related business issues.

## **11. Review of Operations**

- 11.1** In addition to specific reviews noted elsewhere in this Charter, Bank First:
  - (a) is subject to regular review and monitoring by its regulators, and its rating agency; and
  - (b) reports to its Members via the monthly Member newsletter, Annual Review, Annual Report and General Meetings.

## **12. Liaison**

Bank First develops and implements a comprehensive liaison program with its stakeholders, Members, the education and health communities, regulators, suppliers and industry associations, in order to maintain awareness of current issues and priorities and best governance practices.

## **13. Remuneration**

The Members approve remuneration of directors.

Remuneration policies must be aligned to Bank First's purpose, values, strategic objectives and risk appetite.

Through the GCRA Committee the Board will ensure Bank First has a formal, rigorous and transparent process in place for developing a remuneration policy and for fixing the remuneration packages of directors, senior executives and staff.

The remuneration activities of Bank First will be disclosed as required under accounting standards, APRA Prudential Standard APS 330 Public Disclosure, and any other applicable laws or standards.