



Fit and Proper Policy



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1. Context

Bank Orange is a licensed Australian Deposit-taking Institution ('ADI') regulated by the Australian Prudential Regulation Authority ('APRA').

Bank Orange is required to comply with APRA CPS 520 Fit and Proper (the Prudential Standard). The Prudential Standard:

- (1) Requires Bank Orange to prudently manage the risk to its business or financial standing that responsible persons are not fit and proper
- (2) Specifies that Bank Orange's Fit and Proper Policy must be appropriate to the circumstances of Bank Orange as part of Bank Orange's risk management system required by APS 310: Audit and Related Arrangements for Prudential Reporting
- (3) Specifies that Bank Orange's Fit and Proper Policy must, as a minimum, address the following matters in a way that prudently minimises the risks from persons who are not fit and proper holding responsible person positions:

the competencies required for each responsible person position

the processes to be undertaken by Bank Orange in assessing whether a person is fit and proper for a responsible person position

the actions Bank Orange will take if it is not satisfied that a person is fit and proper for a responsible person position

the steps that Bank Orange will take to ensure that each of its responsible persons is aware of, and understands, its Fit & Proper Policy

adequate provision to allow whistleblowing if a person believes that a responsible person is not fit and proper

- (4) makes it the responsibility of Bank Orange's Board to approve Bank Orange's Fit and Proper Policy.
- (5) requires Bank Orange to implement its Fit and Proper Policy at all times in accordance with the requirements of CPS 520.

APRA's Fit and Proper Practice Guide APG 520 emphasises that, subject to the requirements of the Prudential Standard, Bank Orange should configure its Fit & Proper Policy in the way most suited to achieving its business objectives and taking into account its size, complexity and risk profile.

APRA released CPS 520 in July 2017 and it is the policy of Bank Orange to comply strictly with the requirements of the Prudential Standard. It is the objective of this Policy to ensure such compliance and, in particular, to ensure that Bank Orange's responsible persons are:

- (1) proper for an ADI
- (2) fit for the circumstances of Bank Orange.

This Fit and Proper Policy is part of Bank Orange's Risk Management Framework.

2. Circumstances of Bank Orange

The circumstances of Bank Orange relevant to an assessment of the fitness of its responsible persons are:

Mutuality

Bank Orange is a financial cooperative owned by its members who are also its customers. Bank Orange:

- (1) conducts its business for the benefit of its members;
- (2) encourages the involvement of its members in the affairs of the Credit Union;
- (3) draws its directors from the membership; and
- (4) is organised on the basis of the Principles of Mutuality contained in the preamble to its Constitution.

Mutuality is evidenced in these ways:

- (1) each member holds one share in Bank Orange;
- (2) an individual cannot hold more than one share in Bank Orange; and
- (3) as a general rule, Bank Orange raises capital through retained earnings and, for this reason, does not pay dividends to members.

Management Infrastructure

Bank Orange has a full-time Chief Executive Officer responsible for the day-to-day management of the business of Bank Orange. The Chief Executive Officer is supported by a management team as detailed in Bank Orange's Organisational Chart.

Nature of Bank Orange's Business – Size Complexity and Risk

Bank Orange's business comprises 3 parts:

- (1) a banking business involving the operation of deposit accounts – transaction, cash management and term deposit accounts – and non-cash payment facilities;
- (2) a lending business involving the provision of loans;
- (3) a general insurance agency business.

Bank Orange's business can best be described as involving the provision of simple, easily understood and relatively risk-free financial services.

Bank Orange does not operate any subsidiary companies.

Regulatory Environment

Bank Orange is highly regulated:

- (1) as an ADI by APRA;
- (2) as an AFS licence holder by ASIC; and
- (3) as a credit provider to consumers, by ASIC under National Consumer Credit Protection Act.

Since breach by Bank Orange in any of these three areas potentially threatens the capacity of Bank Orange to carry on business, Bank Orange is committed to complying with all of its regulatory obligations and effectively managing its regulatory risk.

In addition, as a financial services provider, Bank Orange's nominated executives are "responsible officers" for FSR purposes and are accredited as such.

Key Financial Indicators

Capital Adequacy ratio

Liquidity ratio

Operating Surplus as a Percentage of Average Assets

Interest Rate Margin

Loan Arrears as a Percentage of Total Loans

3. Identification of responsible person positions

The Prudential Standard defines 'responsible person' for Bank Orange as:

- (1) Directors of Bank Orange
- (2) Senior Managers of Bank Orange
- (3) Consultants and contractors performing the functions and duties of a Senior Manager
- (4) the External Auditor
- (5) a person who performs activities for a subsidiary where those activities may affect the whole, or a substantial part, of the business of Bank Orange
- (6) persons determined in writing by APRA to be a responsible person upon it being satisfied that they play a significant role in the management or control of Bank Orange or that the person's activities may materially impact on prudential matters.

The Prudential Standard defines 'senior manager' as a person other than a Director who has:

- (1) participation in decision-making that affects the whole or a substantial part of Bank Orange's business
- (2) has the capacity to significantly affect Bank Orange's financial standing

- (3) may materially affect the whole, or a substantial part of Bank Orange's business or financial standing through their responsibility for: enforcing policies and implementing strategies approved by the Board

developing and implementing processes or systems that identify, assess, manage or monitor risks in relation to business activities and operations

monitoring the appropriateness, adequacy or effectiveness of risk management systems.

The Practice Guide explains that:

- (1) the nature of the role and functions of a person, rather than the person's title, will determine whether the person holds a responsible person position
- (2) 'senior managers' will include, and generally not extend greatly beyond, managers reporting directly to the Chief Executive Officer as well as the managers responsible for key aspects of risk management

By applying these definitions to Bank Orange, the Board has identified the responsible person positions of Bank Orange listed in Annexure B.

APRA, under the Prudential Standard, may determine in writing that a person is not a responsible person if it is satisfied that the person does not play a significant role in the management or control of Bank Orange or that the person's activities do not materially impact on prudential matters. It is Bank Orange's policy to apply to APRA for such determinations in appropriate cases.

4. 4.1 Criteria for assessing fitness and propriety

The Prudential Standard requires this Policy to address the matters the Bank Orange will consider in determining if a person is fit and proper for a particular responsible person position. In particular, this Policy must:

- (1) document the competencies that are required for each responsible person position, including any training or induction processes required for the position for commencement and on a continuing basis
- (2) ensure that all of the criteria for assessing fitness and propriety are satisfied before a person can be assessed as fit and proper for a responsible person

The Prudential Standard provides that the criteria for assessing fitness and propriety for a responsible person position are whether for that person and position:

- (1) it would be prudent for Bank Orange to conclude that the person possesses the competence, character, diligence, honesty, integrity and judgment to properly perform the responsible person position
- (2) the person is not disqualified from holding the position
- (3) the person either:
 - has no conflict of interest in performing the duties of the position; or
 - if the person has a conflict, it would be prudent for Bank Orange to conclude that the conflict will not create a material risk that the person will fail to properly perform the duties of the position.

The Prudential Standard provides additional requirements for auditors including that the auditor:

- (1) is registered as an auditor under the *Corporations Act*
- (2) has five years of recent, relevant experience
- (3) is not the CEO or a director of Bank Orange, and not the CEO or director of a related body corporate
- (4) is a member of a recognised professional body
- (5) is ordinarily resident in Australia.

Although the Prudential Standard contemplates that the additional requirements for auditors will not apply in certain circumstances with the approval of APRA or in exceptional cases, it is Bank Orange's policy not to seek such an exemption.

The Practice Guide explains that:

- (1) the skills and experience required by each responsible person will depend on that person's role and this will be affected by the role undertaken by other responsible persons
- (2) where a person is found not to be fit and proper due to a lack of character, diligence, honesty, integrity or judgment, that person will not normally be suitable for any responsible person position
- (3) an assessment of fitness and propriety should address the matters in paragraph 13 of the Practice Guide to the extent relevant.

4.2 Financial Accountability Regime (FAR)

An accountable person is primarily someone who has actual or effective senior executive responsibility for management or control of an accountable entity, or of a significant or substantial part or aspect of the operations of the entity or its corporate group. Rules made by the Minister can prescribe other responsibilities and positions that cause a person to be an accountable person.

An accountable entity must comply with:

- (a) accountability obligations under Part 3; and
- (b) key personnel obligations under Part 4, including to ensure that responsibilities covering all parts of its business are appropriately allocated to accountable persons who are registered with the Regulator and not disqualified; and
- (c) obligations under Part 5 to defer a prescribed portion of the variable remuneration of its accountable persons to ensure compliance with their obligations; and
- (d) obligations under Part 6 to notify the Regulator of matters relating to accountable persons and their responsibilities.

An accountable entity that fails to comply with any of these obligations is liable to a civil penalty.

Accountable persons also have accountability obligations under Part 3. Failure by an accountable person to comply with any of those obligations may lead to reduction of their variable remuneration or disqualification by the Regulator.

A foreign accountable entity is subject to obligations only to the extent that it operates a branch of the foreign accountable entity in Australia.

Accountable persons will be registered with APRA under the legislation and sign an Accountability Statement.

[Legislation and Rules under the FAR | APRA](#)

Commencing with Annexure G: Protocol for Directors are Protocols for each of Bank Orange's responsible person positions. Part 1 of each Protocol identifies the competencies required for that responsible person position.

5. Process for assessing fitness and propriety

The Prudential Standard requires this Policy to document the processes that Bank Orange will undertake in assessing whether a person is fit and proper for a responsible person position and, in particular:

- (1) who will conduct the fit and proper assessments for each responsible person position
- (2) what information will be obtained by Bank Orange and how it will be obtained
- (3) the matters that will be considered before determining if a person is fit and proper for a responsible person position
- (4) what decision-making processes will be followed for the assessment.

The assessment of a person's fitness and propriety to be a responsible person must generally be conducted prior to a person's appointment. The exceptions are:

- (1) elected directors where the Prudential Standard requires the assessment to be conducted within 28 days of election: Bank Orange's policy is to conduct an assessment of the fitness and propriety of nominees for director prior to their election
- (2) notification by APRA that a person is deemed to be a responsible person where the Prudential Standard requires the assessment to be conducted within 28 days of APRA giving Bank Orange such a notification: Bank Orange's policy is to comply with this requirement
- (3) Interim appointments which are dealt with in Policy Section 8 Interim appointment of responsible persons

The Prudential Standard also requires Bank Orange to annually re-assess the fitness and propriety of all of Bank Orange's responsible persons.

The Prudential Standard requires that Bank Orange make all reasonable enquiries to obtain information when conducting a fit and proper assessment. This includes collecting sensitive information as under the *Privacy Act* where Bank Orange believes it may be relevant to the fitness and propriety assessment.

The Practice Guide explains that:

- (1) to the extent relevant and material, the matters listed in paragraph 13 of the Practice Guide should be considered
- (2) in deciding what enquiries to make, Bank Orange should weigh the burden of documenting information and the risk of unnecessary disclosure against the possibility that the enquiries will uncover material information
- (3) statutory declaration covering all of the matters in paragraph 13 of the Practice Guide about which enquiry is prudent may be sufficient in the case of an annual re-assessment or in the case of an interim appointment

- (4) the minimum requirements for the initial assessment of fitness and propriety include an Australian criminal record check and appropriate evidence of qualifications that are material to an assessment of competency
- (5) where a person is found not to be fit and proper due to a lack of character, diligence, honesty, integrity or judgment, the person will not normally be fit and proper for any responsible person position.

Refer to the annexed Protocols for each of Bank Orange's responsible person positions:

- (1) Part 2 of each Protocol specifies who will conduct the fit and proper assessment for that responsible person position ('the Assessor')
- (2) Part 3 of each Protocol specifies what information Bank Orange will obtain and how it will obtain that information. In that regard:

Annexure C is the Declaration to be obtained prior to the initial assessment of the fitness and propriety of a person for a particular responsible person position with Bank Orange

Annexure D details the standard enquiries to be undertaken prior the initial assessment of the fitness and propriety of a person for a particular responsible person position with Bank Orange. Part 1 details the enquiries to be conducted for interim appointments (except where the appointee is already a responsible person of Bank Orange) and Part 2 details the enquiries to be conducted for permanent appointments

Annexure E is the Declaration to be obtained as part of the annual re- assessment of the fitness and propriety for a responsible person

Annexure F details the standard enquiries to be undertaken as part of the annual re-assessment of fitness and propriety of a responsible person

Annexure C and Annexure D will be completed when an existing Director wishes to stand for re-election at the expiry of their term of office and also when the external audit partner rotates on a 5 year basis (as is the current practice at Orange Bank Orange). These situations will be treated as a new assessment.

- (3) Part 4 of each Protocol specifies the decision-making processes to be followed for the assessment of fitness and propriety for the responsible person position and the matters that will be considered in determining whether a person is fit and proper for the position.

6. Dealing with Subsequently Received Information

If, after completing the assessment of a responsible person's fitness and propriety, the Assessor becomes aware of additional information that may lead to the person being assessed as not fit and proper – all reasonable steps (including gathering sensitive information) must be taken to ensure that the Assessor can prudently conclude that there is no material fitness and propriety concern. Where a concern does exist, the Assessor must:

- (1) give the responsible person the opportunity to respond to the additional information
- (2) repeat the initial assessment of fitness and propriety in accordance with Part 4 of the Protocol for the relevant responsible person position.

7. Dealing with persons who are not fit and proper

The Prudential Standard requires Bank Orange, and it is Bank Orange's policy, to take all prudent steps to ensure that:

- (1) a person who is not fit and proper for a responsible person position, is not appointed to that position
- (2) a person occupying a responsible person position does not continue to hold that position if subsequently found not to be fit and proper for that position.

In relation to the election of directors, Bank Orange's constitution provides that a person is not eligible to stand for election as a director of Bank Orange if the Director Nominations Committee has determined, by reference to this Policy, that the person does not have the appropriate fitness and propriety to be a director.

In relation to the appointment of directors, Bank Orange's policy, except in urgent cases, is to assess the fitness and propriety of the proposed appointee to be a director of Bank Orange prior to appointment.

In relation to the removal of directors, Bank Orange's ability to take action following a finding that a director is not fit and proper is limited by the *Corporations Act*. Accordingly, whenever Bank Orange assesses that a director is not fit and proper, its policy is to notify APRA within 10 business days of that assessment of:

- (1) the fact of the assessment
- (2) the basis for the assessment
- (3) whether the director remains in office
- (4) if the director remains in office – the reason for this, and what action Bank Orange is taking
- (5) whether there is the need for a direction by APRA under the *Banking Act* to enable Bank Orange to promptly remove the director.

In relation to removal of the auditor, Bank Orange's ability to take action following a finding that the auditor is not fit and proper is limited by the *Corporations Act*. Accordingly, whenever Bank Orange assesses that the auditor is not fit and proper, its policy is to notify APRA within 10 business days of that assessment of:

- (1) the fact of the assessment
- (2) the basis for the assessment
- (3) whether the auditor remains in office
- (4) if the auditor remains in office – the reason for this, and what action Bank Orange is taking
- (5) whether there is the need for a direction by APRA under the *Banking Act* to enable Bank Orange to promptly remove the auditor.

In relation to other responsible person positions, and in conformity with the Prudential Standard, it is Bank Orange's policy that all employment contracts with senior managers, and all contracts and arrangements with consultants involving the discharge of 'senior management responsibilities', include:

- (1) obligations on the employee or consultant to:
 - be fit and proper for the responsible person position being occupied
 - comply with this Policy at all times
 - provide reasonable assistance to Bank Orange in encouraging disclosures in accordance with this Policy
- (2) in the event that the employee or consultant is found not to be fit and proper for the responsible person position being occupied, the right of Bank Orange to:
 - redeploy the employee or consultant to a position for which they are fit and proper, or
 - terminate the employment or consultancy
- (3) an agreement that Bank Orange will not be liable for damages to the employee or consultant from implementing this Policy in good faith.
- (4) consent by the employee or consultant to Bank Orange conducting all reasonable enquiries relevant to an assessment of the fitness and propriety of the employee or consultant to be a responsible person of Bank Orange
- (5) consent by the employee or consultant to the Credit Union disclosing information and providing documents to APRA relating to the reasons for their resignation, retirement or removal.

It is Bank Orange's policy that all employment contracts and all contracts with consultants include a term that Bank Orange will not take action against the employee or consultant as a consequence of the employee or consultant making a disclosure, in good faith, to APRA or in accordance with this Policy.

8. Interim appointment of responsible persons

The Prudential Standard permits Bank Orange to conduct more limited checks on the fitness and propriety of a person for a particular responsible person position if the person holds the position on an interim basis for no more than 90 days or such longer period as APRA agrees in writing

Bank Orange's policy in such cases is as follows:

- (1) if the person has already been assessed as fit and proper for another responsible person position with Bank Orange, nothing further is required prior to the interim appointment
- (2) in any other case:
 - the person must submit a Declaration, Information Statement and Questionnaire in the form of Annexure C
 - the Assessor for the particular responsible person position must conduct the enquiries specified in Part 1 of Annexure D.

A person appointed on an interim basis to a responsible person position of Bank Orange may subsequently be confirmed in that position if, following a full initial assessment in accordance with the relevant Protocol and Annexure D, the person is found to be fit and proper for the particular responsible person position.

9. Publicising this Policy

The Prudential Standard requires Bank Orange to ensure that all responsible persons are aware of and understand this Policy. It is Bank Orange's policy to comply with this requirement by:

- (1) providing a copy of this Policy to all candidates for election as director as soon as possible after the candidate is nominated, and to all other responsible persons prior to the initial assessment of their fitness and propriety
- (2) providing a copy of this Policy to all responsible persons as part of their annual re-assessments of fitness and propriety
- (3) incorporating declarations of receipt, reading and understanding of this Policy in Annexures C and E.
- (4) ensuring that all provisions in this Policy encouraging whistleblowing and procedures related to whistleblowing are explained adequately to Bank Orange's directors and employees who are likely to have information which is relevant to fit and proper assessments.

10. Whistleblowers

If an employee, director or consultant of Bank Orange has information that a responsible person does not meet Bank Orange's fit and proper criteria, the policy of Bank Orange is to encourage the employee, director or consultant who has information that Bank Orange has not complied with the Prudential Standard to provide the information to either the Assessor for the particular responsible person position or to APRA.

Bank Orange's policy is not to constrain, impede, restrict or discourage persons from providing information to APRA, and this extends to current and former employees, directors and consultants of Bank Orange.

Please refer to the Credit Union's separate Whistleblowing Policy for full details regarding this matter.

For details of how Bank Orange communicates this Policy including its attitude to whistleblowers, see: 9. Publicising this Policy.

11. Dealings with APRA

In conformity with the Prudential Standard, it is the policy of Bank Orange to:

- (1) provide a copy of this Policy to APRA on request
- (2) notify APRA in writing and on APRA's form, the following details in relation to each of Bank Orange's responsible persons within 28 days of any change or new appointment:

title of the responsible person's position

full name

date of birth

position and responsibilities

a statement whether the person has been assessed under this policy

- (3) notify APRA within 10 business days where it assesses that a responsible person is not fit and proper for the responsible person position that they hold including:
 - the fact of the assessment
 - the basis for the assessment
 - whether the person remains in the position
 - if the person remains in the position, the reason for this, and what action Bank Orange is taking
- (4) upon request by APRA, take all reasonable steps to provide information and documentation to assist APRA in assessing the fitness and propriety of a person.

12. Retention of Documents

The Prudential Standard requires Bank Orange to document any information considered in assessing fitness and propriety, and to retain that information for a reasonable time. It is Bank Orange's policy to comply with this requirement by:

- (1) documenting all information considered in initially assessing and annually re- assessing the fitness and propriety of a person for a particular responsible person position
- (2) retaining documentation relating to the initial assessment or annual re- assessment of a person for a particular responsible person position for as long as the person remains in that responsible person position or another responsible person position with Bank Orange
- (3) immediately destroying documentation relating to the initial assessment of an unsuccessful candidate for a particular responsible person position
- (4) destroying documentation relating to the initial assessment or annual re- assessment of a person for a particular responsible person one year after that person ceasing to hold any responsible person position with Bank Orange.

It is Bank Orange's policy, in conformity with the Australian Privacy Principles, to give each applicant for a responsible person position a Privacy Notification setting how Bank Orange will deal with the applicant's person information, as above.

It is also Bank Orange's policy, in conformity with the Prudential Standard, to obtain consent from each applicant for the collection and use of information by Bank Orange to comply with this Policy and the Prudential Standard and by APRA for its functions and powers under Prudential Acts.

Both the information statement to applicants and the consent from applicants are incorporated in the Declarations at Annexures C and E. It is Bank Orange's policy to provide an applicant with copies of any such Declarations made by the applicant to Bank Orange.

13. Review of this Policy

The Board must review this Fit and Proper Policy:

- (1) every 12 months to ensure that the Policy remains accurate and relevant.

Annexure A: Reserved (Organisational Chart)

Annexure B: List of Responsible Person Positions

- (1) Directors
- (2) Chief Executive Officer
- (3) Senior Managers: Head of Finance and Head of Risk
- (4) External Auditor
- (5) Persons notified in writing by APRA to be responsible persons
- (6) Accountable Persons as determined under the Financial Accountability Regime (FAR).

Annexure C: Declaration – Initial Assessment

Refer to the “Declaration by Applicant” for Responsible Person Position – Initial Assessment.

Annexure D: Standard Enquiries – Initial Assessment**All Cases**

- (1) Obtain a Declaration in the form of Annexure C
- (2) Check with APRA whether disqualified
- (3) Check with ASIC whether disqualified
- (4) Complete a Police Check and review the results of that search when received
- (5) Conduct a bankruptcy search
- (6) Sight evidence of any qualifications which are material to an assessment of competency for the responsible person position (excluding current Directors seeking re-election)
- (7) Obtain at least two character references (excluding current Directors seeking re-election)
- (8) Verify material qualifications by checking with the conferring institution (excluding current Directors seeking re-election)
- (9) Verify recent employment history to the extent relevant and material
- (10) Check with relevant professional or industry bodies for matters relevant and material to an assessment of propriety
- (11) Check other matters disclosed in the Declaration to the extent relevant and material to an assessment of fitness and propriety
- (12) Conduct a Financial Accountability Regime (FAR) “Accountable Person” Assessment.

Annexure E: Declaration – Annual Reassessment

Refer to the “Declaration by Responsible Person ” – Annual Reassessment

Annexure F: Standard Enquiries – Annual Reassessment

- (1) Obtain a Declaration in the form of Annexure E
- (2) Investigate additional matters disclosed in the Declaration to the extent relevant and material to an assessment of the responsible person's ongoing fitness and propriety
- (3) Check with APRA whether disqualified
- (4) Check with ASIC whether disqualified
- (5) Conduct a bankruptcy search
- (6) For Senior Managers Only – every 2 years:-
Complete a Police Check and review the results of that search when received.
- (7) Meet the criteria of the Financial Accountability Regime (FAR) Act.

Annexure G: Protocol for Directors

Required Competencies

For the avoidance of doubt “candidate for director” includes directors standing for re-election.

A. Independence

Each candidate for director must be “independent” as that term is defined in *CPS 510 Governance* and, in particular, must not be (or have been within the relevant period) in a relationship with Bank Orange of the type described in Attachment A thereof.

B. Core competencies

Each candidate for director must demonstrate all of the following “core competencies”:

1. The capacity to make an effective contribution to the Board, including:
 - a. An understanding of the role and responsibilities of a director of Bank Orange
 - b. Knowledge of Bank Orange, its business and the markets in which it operates
 - c. The ability to listen, evaluate, form conclusions and make good judgments
 - d. An understanding of and commitment to the principles of mutuality
2. An understanding of the collegial nature of a board and the ability to function effectively in a collegial way
3. A sound knowledge of the regulatory environment in which Bank Orange operates
4. The ability to read and comprehend the company’s accounts, financial material presented to the Board, and financial reporting requirements
5. An understanding of risk management principles and their application to Bank Orange’s operations
6. The capacity and willingness to undertake continuous professional development and learning consistently with Bank Orange's Board Renewal Policy
7. The capacity and willingness to prepare and contribute to board meetings and deliberations
8. Sufficient time to devote to the role
9. No material conflict of interest

C. Board Skills & Experience Matrix

Sections C and D are to be read in conjunction with the Board Skills & Experience Matrix in the *Board Succession Policy* which identifies 13 separate skills to be represented on the Board and 3 levels of skill.

Subject to the Board's decision the following is skills matrix areas that the Board may determine are specifically required:

- Leadership
- Technology, digitisation and cyber
- Contemporary banking skills
- Financial acumen
- Risk management
- Governance

D. Seasonal Variation of Skills Matrix Priorities

The Board has determined that for this election cycle a mix of skills and specialisation as deemed appropriate for circumstances at the time by the Board is required i.e. Skills Gap Analysis.

Who will assess fitness and propriety?**For new applications, or existing Directors standing for re-election**

The Director Nominations Committee, based on Fit and Proper criteria as designated by the Board.

For annual reassessment of existing Directors

The Board.

What information will be obtained and how?

Initial Assessment	Annual Reassessment
Conduct the Standard Enquiries in Annexure D	Conduct the Standard Enquiries at Annexure F.

Timetable for Assessment Process

Date Required	Action Required
Annual General Meeting Date	When this date is settled (must be prior to 30 th Nov) calculate dates by working backwards.
21 days (3 weeks) prior to AGM	Advertise candidates eligible for election to the Board
At least 10 weeks prior to ad for AGM (allows time for police checks and other assessments to be done)	Closing date for nominations for Directors
4 weeks prior to close of nominations	Call for nominations for new Directors, and also existing Directors who wish to stand for re-election

Process for deciding fitness and propriety

Initial Assessment, and Existing Directors Standing for Re-Election	Annual Reassessment
1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure C for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of Bank Orange. 4. Refer to the Assessment Checklist in the next section. 5. Give the Applicant the opportunity to respond to any matters of concern. 6. Complete the assessment of fitness and propriety. 7. If not fit and proper, destroy documents.	1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure E for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, refer to sections 7 Dealing with persons who are not fit and proper and 11 Dealings with APRA of the Policy and action accordingly.

Assessment Checklist

Section A – Essential Attributes	Section B – Knowledge, Experience, Skills and Competence (to demonstrate capacity to understand and contribute to the role of Director)	Section C – Specialist Qualifications (the Board will determine when this category is to be applied)
• Not listed by ASIC as disqualified • Not listed by APRA as disqualified • Not listed on Bankruptcy search • Clear Police Check – “A Criminal Record that does not include, in the Board’s opinion, any item that would not be considered Fit and Proper for a Bank Orange Director” • Member of OCU for at least 1 year at the time of nomination – if seeking election by OCU members • Honesty • Integrity • Good Reputation • Have the capacity and willingness to undertake continuous professional development and learning to acquire and update skills, and knowledge relevant to the role of director of Bank Orange”. • Have the ability to meet the minimum standard required for “Accountable Person” – including acceptance by APRA – under the Financial Accountability Regime (FAR).	• Post Secondary School qualification by an accredited provider to the minimum level of Diploma (or equivalent) • Demonstrated ability to understand Financial Information to a minimum level of Balance Sheet, Profit and Loss Statement, and Annual Financial Statements. Candidate must satisfy the Deloitte’s Financial Literacy checklist. • Business Management experience:- - Demonstrated Capacity must be relevant to role of Orange Bank Orange Director. - Demonstrated Capacity must be of comparable complexity to that of a Orange Bank Orange Director. • Bank Orange Board of Director experience or other Board of Director experience, completion of the Orange Bank Orange Associate Director Program	Examples may include: • Accountant • Lawyer • IT • Banking • CEO Large Business • HR Marketing • Risk Analysis
Minimum Score Required: 10	Minimum Score Required: 3	

Annexure H: Protocol for Chief Executive Officer**Required Competencies**

Refer to the Job Description for the position

Who will assess fitness and propriety?

The Board

What information will be obtained and how?

Initial Assessment	Annual Reassessment
Conduct the Standard Enquiries in Annexure D.	Conduct the Standard Enquiries at Annexure F.

Process for deciding fitness and propriety:

Initial Assessment	Annual Reassessment (at time of annual performance appraisal)
1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure C for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, destroy documents.	1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure E for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, refer to sections 7 Dealing with persons who are not fit and proper and 11 Dealings with APRA of the Policy and action accordingly.

Annexure I: Protocol for External Auditor

Required Competencies

Is registered as an auditor under the *Corporations Act*, for external auditors only

Has five years of recent experience relevant to the circumstances of Bank Orange

Is not the CEO or a director of Bank Orange, or of a related body corporate

Has appropriate formal qualifications

Is a member of a recognised professional body

Is ordinarily resident in Australia

Has no material conflict of interest

An understanding of the regulatory environment of Bank Orange, particularly in relation to Bank Orange's three key licensing authorities – APRA, ASIC and Fair Trading; and the experience of working in similar regulatory environments.

Who will assess fitness and propriety?

The Audit Committee of the Board.

What information will be obtained and how?

Initial Assessment	Annual Reassessment
○ Conduct the Standard Enquiries in Annexure D ○ Obtain written representations from the auditor personally and from the auditor's firm that the auditor satisfies the additional requirements for auditors specified in paragraph 32 of CPS 520: see 4 (4.1) Criteria for assessing fitness and propriety ○ Check that the external auditor is registered under the Corporations Act, (for External Auditor only)	○ Conduct the Standard Enquiries in Annexure F ○ Obtain written representations from the auditor personally and from the auditor's firm that the auditor satisfies the additional requirements for auditors specified in paragraph 32 of CPS 520: see 4 (4.1) Criteria for assessing fitness and propriety ○ Check that the auditor is registered under the Corporations Act, (for External Auditor only).

Process for deciding fitness and propriety

Initial Assessment	Annual Reassessment (to be done at the time of annual contract revision or renewal)
1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure C for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, destroy documents.	1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure E for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, refer to sections 7 Dealing with persons who are not fit and proper and 11 Dealings with APRA of the Policy and action accordingly.

Annexure J: Protocol for Other Senior Managers

Applicable to: Head of Finance and Head of Risk

Required Competencies

Refer to the Job Description for each position.

Who will assess fitness and propriety?

The Chief Executive Officer

What information will be obtained and how?

Initial Assessment	Annual Reassessment (at time of annual performance review)
○ Conduct the Standard Enquiries in Annexure D]	Conduct the Standard Enquiries at Annexure F.

Process for deciding fitness and propriety

Initial Assessment	Annual Reassessment (at time of annual performance review)
1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure C for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, destroy documents.	1. Provide the applicant with copies of: Bank Orange's Fit and Proper Policy CPS 520 Fit and Proper Requirements APG 520 Fit and Proper Requirements Annexure E for completion. 2. Collect information as detailed in the previous section. 3. Conduct a preliminary assessment of fitness and propriety with particular reference to: whether the applicant has the required competencies for the position the matters in paragraph 13 of APG 520 the circumstances of the Credit Union. 4. Give the Applicant the opportunity to respond to any matters of concern. 5. Complete the assessment of fitness and propriety. 6. If not fit and proper, refer to sections 7 Dealing with persons who are not fit and proper and 11 Dealings with APRA of the Policy and action accordingly.

APPENDIX- CHANGES TO POLICY**Policy Name: Fit and Proper**

Date of Board Approval	Reference / Clause / Section	Description
22.3.2006	Initial Adoption of Policy	
26.4.2006	Annexure G, Assessment checklist, Section A	Delete Personal Add Essential
26.4.2006	Annexure G, Assessment checklist, Section A	Change 8 to 9
26.4.2006	Annexure G, Assessment checklist, Section B	Add post secondary school qualification by an accredited provider
26.4.2006	Annexure G, Assessment checklist, Section B	including management of own business or staff
26.4.2006	Annexure G, Assessment checklist, Section B	or Board of Director Experience
2.5.2007		Policy Review
2.5.2007	Page 10	Delete: "on commencement of APS 520: Fit and Proper Requirements to ensure that the Policy complies with that prudential standard".
2.5.2007	Page 11& 23	Delete Loans Manager.
2.5.2007	Page 18	<u>Section B – Knowledge, Experience, Skills and Competence,</u> delete dot points: Tertiary Qualifications, post secondary school qualification by an accredited provider Financial Industry Experience Management Experience, including management of own business or staff Bank Orange Director Experience or Board of Director Experience And replace with: Post Secondary School qualification by an accredited provider Demonstrated ability to understand Financial Information Business or Committee experience

		Credit Union Board of Director experience or other Board of Director experience
25.7.07	Page 21	Update Annexure I: Protocol for Auditor to include: An understanding of the regulatory environment of Bank Orange, particularly in relation to Bank Orange's three key licensing authorities – APRA, ASIC and Fair Trading; and the experience of working in similar regulatory environments.
26.3.08		Update Board Authority & Effective dates.
26.3.08	Page 18	Amend <u>Section A – Essential Attributes</u> to include further detail on the dot point “Clear Police Check” as follows:- “A Criminal Record that does not include, in the Board's opinion, any item that would not be considered Fit and Proper for a Bank Orange Director”
29.7.09	Front page	Amend review date
29.7.09	Page 21	Add for External Auditor Only to the first dot point and at the end of the initial and annual assessment.
26.11.09	Assessment Checklist Section B	Replace “Post secondary school qualification by an accredited provider with “Post Secondary School qualification by an accredited provider to the minimum level of Diploma (or equivalent)” Replace “Demonstrated ability to understand Financial Information” with “Demonstrated ability to understand Financial Information to a minimum level of Balance Sheet, Profit and Loss Statement, and Annual Financial Statements”.
16.12.10	Annexure I: Protocol for External & Internal Auditor	Remove the requirement to assess the Fitness & Propriety of the Internal Auditor in accordance with APS520.
17.8.10	Front page	Change Board Authority and Review date the 28 July 2010.
17.8.10	Page 2	Regulatory Environment, (3) delete <i>by the department of fair trading in each state and territory in which Bank Orange operates.</i> And add <i>by ASIC under National Credit Code.</i>
25.05.11	Page 20	Update the Assessment Checklist, Section B to include in dot point 4 – “completion of the OCU Associate Director Program”.

		Update the Assessment Checklist, Section B, Minimum Score required to "3".
27.07.2011	Front page	Update board authority and effective dates to 29 July 2011
27.07.2011	Page 2	Update "Consumer Credit Code to National Consumer Credit Protection act to reflect new ASIC legislation
27.07.2011	Pg 2 & Annexure b	Remove Internal Auditor
25.7.2012	Page 1 Page 2 Page 3 Page 20 Section B	Policy review Update authority dates to 25.7.2012. Add any reference from APS to CPS Delete On 2 March 2006, APRA released APS 520: Fit and Proper Requirements ('the Prudential Standard') to apply from 1 October 2006. The Prudential Standard: Add Bank Orange is required to comply with APRA CPS520 Fit and Proper (the Prudential Standard). The Prudential Standard: Point 5 Delete APRA also released APG 520: Fit and Proper ("the Practice Guide") on 2 March 2006 to apply from 1 October 2006. The Add APRA's Fit and Proper Practice Guide APG520 Add Candidate must satisfy the Deloitte's Financial Literacy checklist).
31.7.13	Annual Policy review	Cover Page - Update Board review and Authority dates. Page 9 Update "National Privacy Principles" to "Australian Privacy Principles" - which will take effect from 2014.
23.07.14	Annual Policy review	<u>GENERAL POLICYMAINTENANCE:</u> Cover page – Update Board Authority and Effective Dates. Cover Page – Add reference to Orange CU Whistleblowing Policy. Page 9 – Delete reference to the previous National Privacy Principles. This reference is now unnecessary.
23.07.14	Annual Policy review	<u>APRARecommendations:</u>

		Page 8 – Whistleblowing. Add reference to OCU Whistleblowing Policy as per APRA 2014 Inspection Recommendation.
17.06.15	Annual Policy Review APRA Recommendations General Policy Maintenance	Cover page – Update Board Authority and Effective Dates. Page I – Replace Urgent with Interim. Page 1 – Replace CPS 310 with APS 310. Remove 'in writing' as this is not required. Page 8 – Add for to paragraph 9.1 and replace the with their within the same paragraph. Page 12 – Remove 11 and add 1. Replace to with for, change responsible Manager to Responsible Person and replace Application with Assessment. Page 14 – Remove 6 and add 1. Pages 17, 20, 22 and 24 – capital letters changed to lower case for whether and the within the dot points. Page 21 – Replace audtors with auditors. Minor formatting and alignment throughout.
27.07.16	Full Policy Review	Cover Page – Update Board authority and effective dates. Page 3 – delete “Realised Reserves as a percentage of Assets”. This Financial indicator is nor longer a main Financial KPI for Orange CU. Page 16 – Annual General Meeting Date – Delete “(usually last Thursday in October)” and replace with “(must be prior to 30th November)”.
31.08.16	Interim Policy Review	CPS520 Fit and Proper requires Orange CU to ensure that its Responsible Persons (Directors, External Auditor, and Senior Managers) are Fit and Proper persons both at inception and on an ongoing basis. Policy updates are recommended to Section 5, and to Annexure F, to enhance the ongoing F&P review of Orange CU's Responsible Mangers.
26.07.17	Full Policy Review	Cover page – update Board Authority & Effective dates Changes to CPS 520 effective 1 July 2017, refer Daniels Bengtsson Practice Note (Issue: 15_2017, Date: 15 May 2017)
25.07.18	Full Policy Review	Cover page – update Board Authority & Effective dates

April 2019		Change General Manager to Chief Executive Officer
June 2019	Full Policy Review	Update Board Authority dates Update the below sections for the BEAR (Banking Executive Accountability Regime) 1 st July 2019: - Sec 4.2 - Annex B - Annex D - Annex F - Annex G (Assessment Checklist).
July 2020	Full Policy Review	Update Board Authority dates
July 2021	Full Policy Review	Update Board Authority dates Update Senior Manager Position Titles
July 2022	Full Policy Review	Update Board Authority dates Update Senior Manager Position Titles
July 2023	Full Policy Review	Update Board Authority dates Update roles Update and expand Annexure G: Protocol for Directors
July 2024	Full Policy Review	Update Board Authority dates and formatting Delete BEAR references Add FAR references Update Assessment Checklist to include Minimum 1 year OCU membership at the time of nomination. Update Annexure D to exclude current Directors seeking re-election on 6,7 & 8.
November 2024	Interim Policy Review	Update Board Authority Dates, Brand and formatting 4.2 Add FAR reference
July 2025	Full Policy Review	Update Board Authority Dates Update to Add details for Annexure A
July 2026	Full Policy Review	Update Board Authority Dates Update Annexure F – police checks from 3 years to 2 years

