

Corporate Governance Statement

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

The Australian Prudential Regulation Authority (APRA) has issued Prudential Standard CPS 510 Governance, which sets out minimum foundations for good governance of regulated financial institutions, such as the Credit Union.

This standard “aims to ensure that regulated institutions are managed in a sound and prudent manner by a competent Board of Directors, which is capable of making reasonable and impartial business judgements in the best interests of the regulated institution and which gives due consideration to the impact of its decisions on depositors”.

Framework

Directors and management are committed to high standards of corporate governance and with this in mind, have articulated and formalised the corporate governance framework within which the Credit Union operates in a Board Charter.

The Board Charter is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of Management in setting the direction, management and control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles.

The Credit Union is not bound by but has elected to adopt the 8 Corporate Governance Principles and Recommendations published by the Australian Stock Exchange Corporate Governance Council, to the extent that the principles are appropriate to the Credit Union’s particular circumstances as a non-listed, mutual, financial institution.

Corporate Governance Statement (continued)

Statement of Principles

Principle 1

Lay solid foundations for management and oversight

To establish and publish the respective roles and responsibilities of board and management.

The Board Charter outlines the role of the Board and senior management. In governing the Credit Union, the Directors must act in the best interests of the Credit Union as a whole.

The Board has the final responsibility for the successful operations of the Credit Union. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Credit Union. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Credit Union. The Board is responsible for ensuring that the Credit Union complies with all of its contractual, statutory and any other legal obligations, including the requirements of the Australian Prudential Regulation Authority ("APRA") and the Australian Securities and Investments Commission ("ASIC") as well as any other regulatory body.

The details of some Board functions are handled through Board Committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations. Each Committee has its own Charter, which includes its structure, authority and responsibilities.

The Board currently has the following Committees:

- Executive & Remuneration Committee
- Audit & Compliance Committee
- Risk Committee
- Nominations Committee (comprising 2 independent members and 1 Board representative member).

On 29th January 2013 the Corporate Governance Committee was disbanded and its duties transferred to the Executive & Remuneration Committee.

The Credit Union's policies and procedures, including the Board and Committee Charters and the Delegations Manual, ensure a balance of authority so that no single individual has unfettered powers.

It is the role of senior management to manage the Credit Union in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Senior management is responsible for the day-to-day management of the Credit Union.

The performance of senior management (other than the Chief Executive Officer) is evaluated annually against defined objectives and key performance indicators by the Chief Executive Officer and reviewed by the Executive & Remuneration Committee. The performance of the Chief Executive Officer is evaluated annually against defined objectives and key performance indicators by the Executive & Remuneration Committee and reviewed by the Board.

A performance review of senior management and the Chief Executive Officer has taken place in the reporting period in accordance with the above process.

Principle 2

Structure the board to add value

Have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

Qantas Staff Credit Union Limited currently has 10 Directors, following a Member resolution at the 2012 AGM approving a reduction in the size of the Board on retirement of a Director on 30 June 2013. The Board can increase the number of Directors to the maximum under the Constitution in future, if necessary to fulfil its obligations.

Directors are elected by Members by democratic ballot for a three (3) year term. Under the Credit Union's Constitution the number of Directors must be at least 5 and no more than 11. The eligibility requirements to nominate as a Director and the process for election of Directors are governed by the Constitution.

The overriding principle to which the Board has regard in relation to the structure of the Board is that all Directors

must be fit and proper persons as defined in APRA Prudential Standard CPS 520 Fit and Proper. The Board Charter and the Credit Union's Fit and Proper Policy set out how the Credit Union assesses whether or not a person is fit and proper and the Board has established a Nominations Committee to assess the fitness and propriety of all candidates for appointment as a Director.

Collectively, the Board must have the necessary skills, knowledge and experience to understand the risks of the Credit Union, including its legal and prudential obligations, and to ensure that the Credit Union is managed in an appropriate way taking into account these risks.

The Credit Union regularly reviews the need for various skills and experience against the current skills and experience represented on the Board.

Given the size of the Credit Union and the business that it operates, the Board has determined to have a blend of skills, knowledge and experience in the following functional competencies:

- accounting and financial management
- senior level business management
- long term strategic planning
- enterprise risk management
- retail banking financial and prudential reporting.

Each Director of the Credit Union must have relevant tertiary qualifications, professional memberships and/or type/length of experience such that the Director is able to provide a high level strategic input into Board deliberations in relation to at least one of the listed functional competencies.

In addition, all Directors must bring certain personal attributes to the Board table to allow them to make an effective contribution to Board deliberations and processes. This includes having sufficient time available to fulfil the role and possession of the following core competencies:

- an understanding of the role and responsibilities of a director of an Authorised Deposit Taking Institution (ADI);
- the ability to listen, evaluate and form conclusions;
- financial literacy;

- appropriate experience in the senior management or governance of a financial institution or a significant public company, or in a senior professional role relevant to the business (for example, accountancy or law);
- an understanding of the collegial nature of a Board and the ability to function effectively in a collegial way;
- an understanding of, and demonstrated commitment to the values of the Credit Union, including Mutual, Authentic, Achieving, Energetic;
- the ability to understand the Credit Union's business and regulatory risks, including the identification, monitoring and mitigation of risk;
- the capacity and willingness to prepare and contribute to Board meetings and deliberations;
- the capacity and willingness to undertake continuous professional development and learning consistent with the Credit Union's policies on Board renewal.

A summary of the qualifications, experience and tenure for each Director are set out in the Directors' Report. All current Directors have been assessed as being fit and proper, in accordance with the Credit Union's policy.

In its Prudential Standard CPS 510 Governance, APRA requires the Board to have a majority of independent and non-executive Directors at all times. In addition, certain positions, such as Chairman of the Board and Chairman of the Audit & Compliance Committee, must be held by an independent, non-executive Director.

The Board Charter sets out how the Credit Union assesses whether or not a person is independent. In assessing independence, the Board is mindful that the Credit Union is a mutual and, as such, Directors are democratically elected by the Members. Directors are not appointed by the Board other than to fill casual vacancies and no Director represents a group of shareholders.

Corporate Governance Statement (continued)

Statement of Principles (continued)

The following table sets out the elements of the CPS510 definition of independence and how those elements apply to the Credit Union.

Element	Application to Qantas Credit Union / Materiality Threshold Adopted by the Board
An independent director is a non-executive director (i.e. is not a member of management) and:	Under the Credit Union's Constitution employees of the Credit Union are ineligible to be a director (clause 50), except where the Board has nominated one employee (clause 62). The Board has not exercised its right to nominate an employee to stand for election as a Director nor to fill any casual vacancy.
Is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.	As the Credit Union is a mutual, no shareholder of the Credit Union can have a relevant interest in 5% or more of the voting shares of the Credit Union.
Is not employed, or has not previously been employed in an executive capacity by the company or another group member, and there has been a period of at least three years between ceasing such employment and serving on the Board.	Employment in an executive capacity means a position that enables the employee to influence the commercial operations of the Credit Union.
Within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.	A material professional adviser or consultant is one whose commercial relationship sees more than 5% of the adviser's/ consultant's total annual revenue or \$30,000 (whichever is the lesser) being attributable to the Credit Union or its associated companies.
Is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.	A material supplier to the Credit Union is one where the amount of goods and/or services supplied to the Credit Union (or its associated companies) exceeds either (a) \$2,000,000; (b) 2% of the Credit Union's total revenue; and/or (c) 5% of the supplier's total costs (whichever is the lesser). A material customer means a customer with an account that is not on normal commercial terms or that constitutes a large exposure under the APRA Prudential Standards. All Directors are Members and customers of the Credit Union (with savings, loans and/or RSA accounts), however all are at arms length, on normal commercial terms and are not material.
Has no material contractual relationship with the company or another group member other than as a director of the company.	Any other contractual relationships are considered material where more than 5% of the provider's total annual revenue or \$30,000 (whichever is the lesser) is attributable to the Credit Union or its associated companies.

The Board has resolved that all Directors, except Gary Halliday (a former General Manager of the Credit Union), are independent, in accordance with the Board Charter. All Directors, whether assessed as independent or not, bring an independent judgment to bear on Board decisions. All Directors are currently non-executive.

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board undertakes an annual evaluation of Board, Board Committee and Director performance via group, self and peer reviews overseen by the Executive & Remuneration Committee and periodically facilitated by external consultants. The review is based on a number of objectives for the Board and individual Directors. The objectives are based on the role of the Board and individual Directors as well as corporate objectives and any areas for improvement identified in previous reviews. A performance evaluation for the Board, Board Committees and Directors has taken place in the reporting period in accordance with this process.

A Director of the Credit Union is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation, the Board Charter sets out the process for a Director to seek independent, expert opinion on matters before them at the expense of the Credit Union, subject to authority limits.

Principle 3

Promote ethical and responsible decision making

Actively promote ethical and responsible decision-making.

In making its decisions, the Credit Union not only complies with its legal obligations, but also considers the reasonable expectations of its stakeholders, including Members and employees. The Credit Union's policies and procedures promote responsibility, accountability and integrity.

The Board has adopted a Corporate Social Responsibility Policy and has implemented and enforced a strict Directors' and Officers' Code of Conduct. Under this

Code, all Directors, Officers and employees must comply at all times, with all laws governing the Credit Union's operations and in keeping with the highest legal, moral and ethical standards.

In addition, the Credit Union has policies and procedures in relation to disclosing and managing actual or potential conflicts of interest that may or might reasonably be thought to exist, and to minimise the risk of related party transactions.

Due to the detailed process for nomination and Member election of Directors set out in the Constitution, the Board cannot establish set objectives for achieving gender diversity on the Board. However, when considering nominates to fill casual vacancies, the Board will take into account a candidate's capacity to enhance the mix of skills, experience, expertise and diversity of the Board.

The Credit Union recognises its talented and diverse workforce as a key competitive advantage. Our business success is a reflection of the quality and skill of our people. The Credit Union is committed to seeking out and placing the right people in the right role for continual business growth and performance.

As at 30 June 2013, the Credit Union gender diversity split was 68% female and 32% male. The Board was 9% female and 91% male. As we move through to Senior Executive it was 25% female and 75% male and Senior Management was 22% female and 78% male. At the Assistant Manager level it then shifts to 91% female and 9% male.

Through our robust recruitment and selection process as well as structured and tailored training and development we are committed to ensuring that we have a talented and diverse workforce at all levels to achieve the Credit Union's strategic goals and objectives.

The Credit Union is committed to the principles and promotion of equal opportunity to create a working environment free from discrimination. The key principals of this policy are that all employment decisions will be based on merit and equality of opportunity to build and maintain a culture in which diversity is valued.

Corporate Governance Statement (continued)

Statement of Principles (continued)

Principle 4

Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

The Board has in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Credit Union's financial position. The structure includes the following:

- review and consideration of the accounts by the Audit and Compliance Committee;
- a process to ensure the independence and competence of the Credit Union's internal and external auditors.

The principal responsibilities of the Audit and Compliance Committee are set out in its Charter. The Audit and Compliance Committee is structured to comply with APRA prudential standards. The Audit & Compliance Committee meets at least 3 times per year.

Principle 5

Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

The Credit Union is not a listed company and therefore is not required to comply with the ASX Listing Rules for disclosure. However, the Board still has in place mechanisms designed to ensure that:

- all Members have equal and timely access to material information concerning the Credit Union – including its financial situation, performance and governance;
- The Credit Union's announcements are factual and presented in a clear and balanced way.

Principle 6

Respect the rights of Members

Respect the rights of Members and facilitate the effective exercise of those rights.

The Board and Management of the Credit Union respect the rights of Members, and facilitate the effective exercise of those rights by:

- communicating effectively with Members;
- giving Members ready access to balanced and understandable information about the Credit Union and its corporate objectives;
- making it easy for Members to participate in general meetings.

Principle 7

Recognise and manage risk

Establish a sound system of risk oversight and management and internal control.

The Board has in place a system of risk oversight and management and internal control to:

- identify, and where possible, quantify the major risks confronting the Credit Union; and
- develop and review policies to monitor, control and where possible, minimise risks within the broader objectives of the Credit Union.

The Board has established a Risk Committee to assist the Board to manage and monitor material business risks. The principal responsibilities of the Risk Committee are set out in its Charter.

The Credit Union also has an internal audit function, independent of the external auditor and management, reporting directly to the Audit & Compliance Committee.

Management have reported to the Board as to the effectiveness of the Credit Union's management of its material business risks and the Chief Executive Officer and Chief Financial Officer have declared to the Board that a sound system of risk management and internal control is in place and is operating effectively in all material respects in relation to financial reporting risks.

Principle 8

Remunerate fairly and responsibly

Ensure the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is clear.

The Credit Union has adopted remuneration policies that attract and maintain appropriately experienced Directors and employees so as to encourage enhanced performance by the Credit Union and the offering of the highest level of service to Members. There is a clear relationship between performance and remuneration of executive employees.

The Executive & Remuneration Committee assists the Board by recommending compensation of the Chief Executive Officer and Directors' fees to the Board for approval and reviewing remuneration proposals made by the CEO for senior management. The principal responsibilities of the Executive & Remuneration Committee are set out in its Charter.

There is no scheme in place for retirement benefits for Directors, other than superannuation.