



**Australian Government**

**Australian Reinsurance Pool Corporation**

# Board Charter

## Purpose

The purpose of the Board Charter is to document the responsibilities and administration of the Board of the Australian Reinsurance Pool Corporation (ARPC).

## Scope

This Charter applies to ARPC Board Members and staff.

## Document relationship

<b>Policy</b>	<b>Audit &amp; Compliance Committee Charter</b>
<b>Procedure</b>	-
<b>Process</b>	<b>Board Fee and Travel Allowance Process</b>

Approval Date	Version	Owner (Chief Officer)	Next review date	Approver
09/07/2019	8.0	Janice Nand (A/g Chief Operating Officer)	25/9/2021	Board (20/05/2019)

## 1. Introduction

ARPC is established under the Terrorism Insurance Act 2003 (TI Act) (s 9). The TI Act prescribes the functions of ARPC as being to provide insurance cover for eligible terrorism losses, and any other functions that are prescribed by the Terrorism Insurance Regulations (s 10).

The Public Governance, Performance and Accountability Act 2013 (PGPA Act) (s 11) defines ARPC as a corporate Commonwealth entity and that the Board, being the governing body of ARPC, is the accountable authority of ARPC (section 12(2)). The Board is required to meet its obligations within the PGPA Act and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

As best practice in corporate governance, ARPC recognises the importance of clearly articulating the roles and responsibilities of the ARPC Board and identifying those matters expressly reserved for the Board.

## 2. Board responsibilities

### 2.1 Responsibilities of the Board

The Board is responsible for:

- setting the strategic direction and financial objectives for ARPC and monitoring their implementation;
- establishing and maintaining productive working relationships with the Treasury, the Minister's office and other relevant Commonwealth and State/Territory agencies, as appropriate;
- establishing and maintaining productive working relationships with key stakeholders within the terrorism insurance and reinsurance markets, and in particular, global terrorism reinsurers;
- determining that ARPC has an appropriate risk management framework in place, determining in consultation with management the risk appetite and risk tolerance levels within which ARPC should operate;
- monitoring compliance with regulatory requirements, ethical standards and external commitments, and the implementation of ARPC policies and relevant Government policies; and
- appointing and reviewing the performance of the Chief Executive (CEO).

### 2.2 Responsibilities of the Chair

The Chair of the Board is responsible for:

- leadership of the Board;
- management of the Board, facilitating an appropriate environment for robust discussion and effective decision making;
- leading corporate governance issues;
- acting as a mentor and sounding board for the CEO, monitoring their performance and, if necessary, bringing them to account;
- the efficient organisation and conduct of the Board's function and meetings;
- facilitating the effective contribution of all Board members;
- briefing of all Board members in relation to issues arising at meetings, as appropriate;
- the promotion of constructive and respectful relations between Board members and acting as a conduit between management and the Board;
- committing the time necessary to effectively discharge the role of Chair; and
- scheduling regular and effective evaluations of the Board's performance.

### 3. Role and duties of ARPC Board

The Board is responsible to the Minister for the sustainable operation of ARPC. Its role is to guide and monitor the business and affairs of ARPC, providing leadership and setting the strategic objectives of ARPC, with due consideration of national and global trends in terrorism reinsurance.

#### 3.1 Duties of the Board

As the accountable authority, the Board has general duties under the PGPA Act (s 15-19):

- to govern ARPC in a way that promotes the:
  - proper use and management of public resources;
  - achievement of the ARPC purposes; and
  - the financial sustainability of ARPC.
- to establish and maintain systems relating to risk and control, including the implementation of measures such that ARPC complies with the finance law (PGPA Act)
- to encourage cooperation with others to achieve common objectives, where practicable
- in relation to requirements imposed on others in relation to the use or management of public resources
- to keep the Minister and the Finance Minister informed.

The PGPA Act (s 30 - 31) provides that the Minister may terminate the appointment of an ARPC Board member for any contravention of the above general duties and states that the general duties on Board Members do not limit duties or liabilities associated with any other legislation.

##### 3.1.1 Financial management

In its role of guiding and monitoring ARPC's business and affairs, the Board will:

- Evaluate and approve ARPC's:
  - business objectives
  - performance measures
  - investment strategy
  - corporate plan
  - annual report
  - annual budgets
  - major capital expenditure, capital management and major corporate transactions.
- Approve all annual financial reports and reports of operations and determine that ARPC has procedures and processes to keep the Minister informed of the operations of ARPC.
- Confirm that ARPC gives the Minister and the Finance Minister the reports, documents and information in relation to its operations that the Minister and the Finance Minister require.

##### 3.1.2 Risk management

The Board will provide oversight of ARPC's risk management functions and encourage management to embrace an integrated risk management approach across all operational areas of ARPC. In its oversight role, the Board will:

- establish and maintain a Risk Appetite and Tolerance Statement, which will be reviewed and approved by the Board at least annually;
- approve ARPC's Risk Management Strategy, as set out in the Risk Management Policy;
- require the Risk Management Policy to reflect leading practice for risk identification, assessment and management, including the principles within the Commonwealth Risk Policy established under the PGPA Act;
- confirm that the Risk Management Policy is reviewed at least every three years;

- determine that management establishes and maintains an appropriate, adequate and effective risk management and control system, where:
  - management undertakes a risk assessment annually, or when new systems or processes are introduced, or when control operation is compromised;
  - management subsequently reviews and updates the Risk Register;
  - management incorporates in the Risk Register the current internal and external audit findings, as appropriate, providing adequate and timely reports to the Board;
  - Executive Management monitors the effectiveness of the risk management and control system.
- direct management to undertake any other investigation or activity considered necessary or desirable for optimal risk management.

#### **4. Code of conduct of the Board**

The Code of Conduct of the Board contained in this Charter is derived both from the fiduciary duties imposed on Board members by statute and general law and more general ethical considerations.

Under this Code of Conduct, Board members must:

- exercise the powers and discharge the duties of office
  - with the due care and diligence;
  - in good faith in the best interests of ARPC; and
  - for a proper purpose.
- not improperly use their position;
- not improperly use information gained as a result of holding the position;
- commit the time necessary to discharge effectively the role of a Board member;
- act honestly and ethically;
- not allow personal interests, or the interests of any other person or organisation, to improperly influence their conduct;
- bring an independent judgment to bear on all matters considered by the Board;
- not engage in conduct likely to discredit ARPC;
- treat fellow Board members and ARPC's employees with courtesy and respect; and
- comply with the spirit, as well as the letter of the law.

#### **5. Delegation of powers and actions reserved for the Board**

Section 40 of the TI Act states that the Board may delegate all or any of its powers or functions to the CEO or any person employed under section 32 of the TI Act. The Board must delegate sufficient powers to the CEO to enable the CEO to manage effectively. These delegations are documented in the ARPC *'Policy for Board Delegation to CEO'* and is to be reviewed at least every three years.

In keeping with the Board's fiduciary duties, the following matters will not be delegated and are reserved exclusively for the Board:

- appointing the CEO and planning for his or her succession;
- evaluating the CEO's performance;
- establishing committees of the Board and appointing committee members;
- approving ARPC's Corporate Plan, Annual Report, annual budget and performance measures;
- setting policies and frameworks for ARPC's risk management, risk and compliance monitoring, internal control systems and investment strategy; and
- reviewing ARPC's performance against objectives and Board performance.

Under sections 24 and 25 of the TI Act, the Board appoints ARPC's CEO to manage the affairs of ARPC subject to the directions of, and in accordance with the policies determined by, the Board. At

any time under section 26 of the TI Act, states that the Board may terminate the appointment of the CEO. An acting CEO may also be appointed by the Board, under section 27 of the TI Act, for a period not exceeding three months, during a vacancy in the office of CEO or during any period when the CEO is absent from Australia or is for any reason unable to perform the duties of CEO. For any period of absence or vacancy that exceeds three months, the Minister may appoint an acting CEO.

## **6. Establishment of Committees**

### **6.1 Audit and Compliance Committee**

The Committee must consist of at least 3 persons who have appropriate qualifications, knowledge, skills or experience to assist the Committee to perform its functions (PGPA Rule 2014 s 17(3)). The Board has appointed at least three of its members as Committee members.

The Board has determined the functions of the Committee outlined in the Audit & Compliance Committee Charter. Some of these functions must include reviewing the appropriateness of the Board's (PGPA Rule 2014 s 17(2)):

- financial reporting;
- performance reporting;
- system of risk oversight and management; and
- system of internal control;

for ARPC.

The Audit and Compliance Committee meets at least three times annually and must comply with requirements under section 17 of the PGPA Rule 2014.

### **6.2 Other committees**

The Board may establish any other committee it thinks necessary or desirable to assist the Board in the administration of ARPC.

All committees must have charters approved by the Board. The Board will review a committee's charter at intervals that the Board considers appropriate and may amend a committee's charter as it considers necessary or desirable.

Each committee has an obligation to report on its meetings to the Board. Approved minutes of all committee meetings are to be made available to all Board members at the next Board meeting subsequent to the Committee's approval of those minutes.

## **7. Administration and arrangements of the Board**

### **7.1 Membership of the Board**

Section 12 of the TI Act prescribes that the Corporation (the Board) consists of the Chair and at least four, but not more than six, other members. Board members are appointed by the Minister under section 13 of the TI Act, for a term not exceeding four years.

The Board recognises that best governance practice balances effective rotation of Board members in order to provide the added value of membership refreshment, whilst retaining appropriate experience levels. However, the Board also acknowledges that the appointment of Board members is at the discretion of the Minister and Cabinet.

Under section 19 of the TI Act, a member may resign from the Board by giving the Minister written notice. The Minister may terminate the appointment of a Board member in the circumstances detailed in section 20 of the TI Act.

## 7.2 Remuneration and allowances

The Board members' remuneration and travel entitlements are set by the Remuneration Tribunal Determination, as it applies from time to time. Board members are also entitled to travel and accommodation allowances under the Remuneration Tribunal Determination for all Board-related travel.

ARPC will provide an annual allowance for relevant professional membership and development. This is subject to prior approval by the Chair and approved amounts must be within the annual limit allocated in the ARPC Budget for each Board member.

## 7.3 Board performance review

The Board will review its performance at least every two years. Issues reviewed may include:

- its success in pursuing ARPC's objectives;
- committee effectiveness;
- procedural matters (including meetings frequency and detail, conduct of meetings, protocol and clarity of roles); and
- individual performance (including attendance, contribution and knowledge of briefs).

The Board will adopt what it considers to be an appropriate review method.

## 7.4 Board Secretary

A Board Secretary will be appointed by the CEO to support the effectiveness of the Board and any Committee(s), and manage all matters associated with the proper functioning of the Board, including resources required to support the secretariat role. The Board Secretary role will include:

- advising the Board and Committee(s) on governance matters
- coordinating the timely completion and despatch of Board and Committee papers
- accurately capturing the business of the meetings in the minutes
- helping to organise and facilitate the induction and ongoing professional development of Board members. This pack will include at a minimum:
  - the ARPC Board Charter
  - the Audit and Compliance Committee Charter
  - remuneration information and provision for Board-related travel
  - allowances payable, including provisions for reimbursement of relevant professional memberships
  - the DTI Response Plan, including the Board Quick Reference Guides
  - relevant legislation
  - special instructions of the Board
  - a list of key ARPC policies relevant to the Board.

Newly appointed members also have the option to receive an induction presentation by individual senior managers on their business area. Each ARPC Board member will be provided with the option of an ARPC supplied device for accessing meeting papers electronically.

## 8. Meetings of the Board

Sections 21–22 of the TI Act regulate the convening of, and procedures at, ARPC Board meetings.

### 8.1 Times and places of meetings

The Board holds as many meetings as are necessary for the efficient performance of its functions. The Chair may convene a meeting at any time; meetings are to be held at those places determined by the Chair. In addition, the Chair must convene a meeting on receipt of a written request signed by at least two other Board members.

The ARPC Board determines the meeting schedule in advance for each calendar year. Changes to the schedule are discussed and agreed at Board meetings.

Meetings are timed having consideration of ARPC's operational and accountability requirements.

### **8.2 Procedures at meetings**

The Chair presides at all meetings at which the Chair is present. If the Chair is not present at a meeting, the Board members present are to appoint one of their number to preside. The person presiding at a meeting has a deliberative vote and, if necessary, also a casting vote.

A quorum is constituted by a majority of the Board members for the time being holding office. A question is decided by a majority of the votes of the Board members present and voting.

### **8.3 Resolutions without a meeting**

In accordance with Section 23 of the TI Act, the Board determines a resolution is taken to have been passed at a meeting of the Board if:

- without a meeting, a majority of the Board members indicate agreement with the resolution in accordance with the method determined by the Board; and
- that majority would have constituted a quorum at a meeting of the Board.

The Board has determined that a resolution may be passed in accordance with that provision. Any resolution so passed is to be ratified at the next Board meeting.

### **8.4 Agenda, papers and minutes**

The agenda and supporting papers are distributed to each Board member in sufficient time to enable an appropriate level of consideration prior to the Board meeting.

Minutes of proceedings and resolutions of Board meetings are kept by the Board Secretary. The process for approving minutes is:

- Draft minutes approved by the Chair are circulated to each Board member for review and comment after the meeting via email, or other agreed means.
- After receiving any comments, a final draft is prepared by the Board Secretary and put on the agenda for the next Board meeting for approval as a true and accurate record.

### **8.5 Use of the ARPC Seal**

Section 12(2) of the TI Act states that the Corporation (the Board) must have a seal. A seal was created and adopted at a meeting of the Board on 28 July 2003. Section 39 of the TI Act provides that "All courts, judges and persons acting judicially must take judicial notice of the imprint of the seal and presume the document was duly sealed." The circumstances in which the ARPC seal may be used are as follows:

- The seal may only be used with the authority of the Board.
- The Board Secretary must provide for the safe keeping of the seal and maintain an accurate record of the use of the seal.
- The affixing of the seal must be witnessed by:
  - any two members
  - a member and the Chief Executive, or
  - the Chief Executive and the Board Secretary.
- Any use of the seal must be ratified at the next full meeting of the Board.

## **9. Duty to disclose declaration of interests**

The PGPA Act requires an official of a corporate Commonwealth entity to disclose to their fellow officials any matter in which the member has a material personal interest, and which relates to the

affairs of the corporate Commonwealth entity. ARPC is a corporate Commonwealth entity and Board members are considered “officials” of ARPC for the purposes of the PGPA Act.

At each Board meeting, Board members of ARPC have a duty to disclose to other Board members matters in which the Board member has a material personal interest, and which relate to the affairs of ARPC. A Board member holding a declared interest may not be present when that matter is being discussed or voted on, except in accordance with section 15 of the PGPA Rule 2014.

The duty to disclose will not apply to Board members if the interest:

- 1) arises in relation to the Board member’s remuneration as a Board member of ARPC;
- 2) relates to a contract that insures, or would insure, the Board member against liabilities the Board member incurs as an official of ARPC (but only if the contract does not make ARPC the insurer);
- 3) relates to any payment by ARPC in respect of a permitted indemnity or any contract related to such an indemnity; or
- 4) is in a contract, or proposed contract, with, or for the benefit of, or on behalf of, a subsidiary of ARPC and arises merely because the Board member is a director of the subsidiary.

Division 2 of the PGPA Rules 2014 under sections 14-15 further outlines the circumstances and manner in which a disclosure must occur and the consequences of having interests.

### **10. Right to independent advice**

Having regard for their duties as a member of the ARPC Board, it may be necessary for a member to seek independent advice to deal with individual circumstances. With the prior written consent of the Chair, a Board member may seek independent professional advice in relation for the affairs of ARPC, including, but not limited to, legal, accounting and financial advice.

If consent to a request to seek independent advice is given, a copy of that independent advice must be provided to the Chair. If the advice is funded by ARPC, the Chair must circulate a copy of the advice to Board members.

### **11. Access to information and employees**

Management must provide the Board with information in a form, timeframe and quality that enables Board members to effectively discharge their responsibilities and duties.

Any Board member may communicate directly with any employee of ARPC. Those communications are to be made having regard to the:

- efficient operation of ARPC
- need to preserve and maintain an effective chain of command
- confidentiality of the Board’s deliberations.

The Chair or the CEO will facilitate communications between individual Board members and employees.

### **12. Confidentiality**

Board members will maintain the confidentiality of ARPC Board papers and proceedings at meetings. Board members must not disclose information obtained in the course of their appointment to the Board unless:

- authorised by the Board;
- a court orders them to do so; or
- required by law.



### 13. Review of Charter

The Board Charter will be reviewed at once every three years. Any substantive changes to the Charter require Board approval.

### 14. Key related documents

- Audit and Compliance Committee Charter
- Risk Management Policy
- Board Delegations to CEO Policy
- Board Fee and Allowance Process

### 15. Version control

Date	Version	Author	Summary of Changes / Circulated to
Feb 2004	1.0	M Cavanagh	Adopted by the Board at its meeting held on 24.02.2004
Apr 2006	2.0	M Cavanagh	Scheduled review. Amendments approved at Board meeting held on 27.04.2006
Feb 2009	3.0	M Cavanagh	As per A&C TOF amendments. Amendments approved at Board meeting held on 24.02.2009
April 2011	4.0	M Cavanagh	Recommendations from Corporate Governance review Amendments approved at Board meeting held on 27.04.2011
April 2013	5.0	A Kelly	Remove reference to Risk Committee; incorporate appropriate committee terms of reference Amendment requested at 27 March 2013 Board meeting
Nov 2014	6.0	A Kelly	Revision to align with PGPA Act 2013, PGPA Rule 2014 and Internal Audit improvement recommendations
Jan 2015	6.0a	A. Kelly	Addition of words recognising the externally focused roles and responsibilities of the Board, requested at meeting held 1 Dec 2014; reference to s31 of PGPA Act; update to the right to independent advice (page 8); other minor wording edits.
May 2015	6.1	A. Kelly	Improved alignment of wording between ERMF and Charter, in the context of APRA Risk Strategy 220
June 2016	6.2	J. Everson	Review of wording in relation to professional development and membership (section 4.9).
Sept 2018	7.0	T. Tai (Snr Manager Governance & Compliance)	Review of Board Charter which incorporates Board Member comments/suggestions. ERMF renamed to its new term Risk Management Policy.
July 2019	8.0	J Nand (A/g COO)	Amendments to sections 7.3 (timing of performance reviews) and 8.4 (process for approving minutes) approved by Board at meeting on 20 May 2019.