

# **BENDIGO AND ADELAIDE BANK GROUP FIT AND PROPER POLICY**

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## 1 Background and introduction

This Fit and Proper Policy has been adopted by the Boards of each of Bendigo and Adelaide Bank Limited (“Bendigo”) and Sandhurst Trustees Limited (“Sandhurst”).<sup>1</sup> The legislative context for the policy and its scope is explained below.

### 1.1 Bendigo

Bendigo is an ADI. APRA has issued *Prudential Standard APS 520 Fit and Proper*, which imposes obligations to make sure that responsible persons (directors, senior managers and auditors) of ADIs satisfy “fit and proper” requirements. The key requirements of APS 520 are as follows.

- (a) An ADI must have a written Fit and Proper Policy that complies with APS 520.
- (b) The fitness and propriety of responsible persons must generally be assessed before appointment and then re-assessed annually.
- (c) Fitness and propriety requires the competence, character, diligence, honesty, integrity, and judgment to perform the duties of the person’s position, that the person not have been disqualified under the Banking Act 1959, and that the person not have a conflict of interest that will create a material risk that the person will not properly perform their duties.
- (d) An ADI must take all prudent steps to make sure that a person is not appointed to, or does not continue to hold, a responsible person position for which they are not fit and proper.
- (e) Additional requirements must be met for auditors.
- (f) Certain information must be provided to APRA regarding responsible persons and the ADI’s assessment of their fitness and propriety.

APRA has also issued *Prudential Practice Guide APG 520 Fit and Proper* to provide guidance to ADIs in relation to policies and processes to make sure that the ADI complies with APS 520.

### 1.2 Sandhurst

Sandhurst holds a Registrable Superannuation Entity licence. As a RSE licensee, Sandhurst is bound by Regulation 4.14 of the SIS Act. Regulation 4.14(7) provides that a RSE licensee must meet the fit and proper standard for all of the period in which the RSE licence continues in force. Regulations 4.14(3) and (4) provide that an RSE licensee meets the fit and proper standard if the RSE licensee possesses relevant attributes that enable the RSE licensee to properly discharge the duties and responsibilities of an RSE licensee in a prudent manner. The attributes include, but are not limited to the following.

- (a) Character, competence, diligence, experience, honesty, integrity and judgment.
- (b) Educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities of a RSE licensee.

Regulation 4.14(5) provides that a RSE licensee that is a body corporate does not meet the fit and proper standard if either of the following apply.

- The body corporate is a disqualified person.
- A director of the body corporate is a disqualified person and the body corporate does not, within 14 days after the body corporate becomes aware that the director is a disqualified person:
  - (i) notify APRA of that fact; and

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<sup>1</sup> Rural Bank Limited is a partly owned subsidiary of Bendigo. This policy does not apply to Rural Bank. The Board of Rural Bank has adopted a fit and proper policy for Rural Bank.

- (ii) remove the director.

APRA has issued *Superannuation Guidance Note SGN 110.1 Fit and Proper* to provide guidance to RSE licensees in relation to policies and processes to make sure of the following.

- An individual is appropriate to act as a trustee or responsible officer (director, secretary or executive officer) of an APRA-regulated superannuation entity.
- The RSE licensee as a whole meets the standard.

In relation to auditors, the guidance note was amended in July 2008 to refer to the SIS Act providing that a disqualified person may not be an auditor and that APRA may apply to the Federal Court to disqualify a person acting as an auditor. The grounds on which a person may be disqualified include that the person is not a fit and proper person. However the guidance has not been updated to set out a process for assessment of an auditor.<sup>2</sup>

### 1.3 Entity needs and fitness analysis

Sandhurst must itself meet a standard of fitness and propriety under Regulation 4.14 of the SIS Act, as well as its Responsible Persons.

Bendigo is not itself required to meet a standard of fitness and propriety under the Fit and Proper Prudential Standards - only its Responsible Persons are required to satisfy the standard.

However, paragraph 7 of the Governance Prudential Standards states that “The Board must ensure that directors and senior management of the regulated institution, collectively, have the full range of skills needed for the effective and prudent operation of the regulated entity ...” Effectively, this is a “fitness” requirement on Bendigo, equivalent to the “fitness” aspect of the fit and proper standard that applies to Sandhurst.

How Bendigo satisfies the requirement that it satisfy fitness standards under the Governance Prudential Standards and how Sandhurst satisfies the fit and proper standard under Regulation 4.14 of the SIS Act are discussed in section 4.

### 1.4 Adoption of common policy by Bendigo and Sandhurst

The obligations under Regulation 4.14 of the SIS Act for superannuation entities and the Fit and Proper Prudential Standards for ADIs in relation to the fitness and propriety of Responsible Persons<sup>3</sup> are substantially similar. Under both Regulation 4.14 of the SIS Act and the Fit and Proper Prudential Standards a person must possess the competence, character, diligence, honesty, integrity and judgment to properly perform the duties of a Responsible Person position. Further, a person who is a disqualified person under any APRA administered legislation or is considered not to meet a “fit and proper” standard applying to any APRA regulated entity is unlikely to meet the “fit and proper” standard for all APRA regulated entities. The Boards of Bendigo and Sandhurst<sup>4</sup> (the Regulated Entities) have each adopted this Fit and Proper Policy for compliance with “fit and proper” obligations. The policy will be subject to regular review.

### 1.5 Purpose of policy

The purpose of this Fit and Proper Policy is to make sure that the interests of customers, stakeholders, shareholders and, in the case of Sandhurst, members of superannuation funds, are managed and overseen competently and by honest and trustworthy individuals. This is achieved by making sure that all persons who hold positions of responsibility with a Regulated Entity are fit

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<sup>2</sup> Nor is an auditor included as a “responsible officer” in the SIS Act.

<sup>3</sup> For convenience, “responsible officers” for the purpose of Regulation 4.14 of the SIS Act and “responsible persons” for the purpose of the Fit and Proper Prudential Standards are collectively referred to in this Fit and Proper Policy as “responsible persons”.

<sup>4</sup> This Fit and Proper Policy replaces the existing Sandhurst Fit and Proper Policy (Part B2.1 of the Sandhurst RSE licence application), from the date of adoption by the Sandhurst Board.

and proper to discharge both their individual and collective responsibilities. These matters are dealt with as follows.

- (a) The standards of fitness and propriety that Responsible Persons are required to meet are described in section 4.
- (b) The process which must be followed for a person to be appointed to act as a Responsible Person of a Regulated Entity is set out in section 5. Auditors are dealt within section 6.
- (c) The requirements which Responsible Persons must satisfy on an ongoing basis are described in section 7.

## **1.6 Implementation**

An overview of the steps involved in implementing this Fit and Proper Policy and responsibilities for implementation is set out in Attachment A to the Policy.

## **2 The individuals who must be assessed – Responsible Persons**

The individuals who must be assessed are those who are treated as “Responsible Persons”.

### **2.1 Directors and company secretaries**

All directors<sup>5</sup> of a Regulated Entity are Responsible Persons, as is the Company Secretary of Sandhurst,<sup>6</sup> by virtue of their positions.

### **2.2 Senior management**

For Bendigo, the test for whether a person is a Responsible Person is whether the person is a “senior manager” as defined in the Fit and Proper Prudential Standards. A senior manager is a person other than a director who does any of the following.

- (a) Makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the ADI.
- (b) Has the capacity to affect significantly the ADI's financial standing.
- (c) May materially affect the whole, or a substantial part, of the business of the ADI or its financial standing through its responsibility for:
  - (i) enforcing policies and implementing strategies approved by the board of the ADI; or
  - (ii) the development and implementation of systems that identify, assess, manage or monitor risks in relation to the business of the ADI; or
  - (iii) monitoring the appropriateness, adequacy and effectiveness of risk management systems.

For Bendigo, a senior manager may be a person who performs functions in relation to subsidiaries.<sup>7</sup>

For Sandhurst, the test for whether a person is a Responsible Person to whom the fit and proper standard applies is whether the person is concerned with or takes part in the management of Sandhurst. This category of Responsible Person is referred to as an “executive officer” in the SIS Act.

For convenience, Responsible Persons who are not directors or company secretaries and who hold management positions are referred to as “senior managers” throughout this policy. Each Regulated Entity must conduct an assessment of the positions that are “senior manager” positions as follows.

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<sup>5</sup> Directors (including alternate or acting directors) are included within the SIS Act definition of “responsible officer” and within the Fit and Proper Prudential Standards definitions of “responsible person”.

<sup>6</sup> The company secretary is included within the SIS Act definition of “responsible officer”.

<sup>7</sup> The Fit and Proper Prudential Standards include in the definition of “responsible persons” those persons who perform activities for a subsidiary of an ADI where those activities would have the ability to materially impact on the business or financial standing of the parent. However, the Fit and Proper Prudential Practice Guides indicate that only the most senior people within a subsidiary would be likely to be responsible persons.

(a) Whenever senior management's roles and responsibilities are materially affected.

Example: By material changes in any of the following matters.

- (i) Structure and organisation of the Regulated Entity.
- (ii) Business activities of the Regulated Entity.
- (iii) External environment in which the Regulated Entity operates.

(b) On a position description change.

In the case of Bendigo, the CEO, and in the case of STL, the Chief General Manager, Wealth and Third Party Banking is responsible for making the assessment. The Company Secretary of each Regulated Entity is responsible for co-ordinating the assessment and recording the outcome.

## 2.3 Auditors

The lead auditor of Bendigo is a Responsible Person.<sup>8</sup> The lead auditor must meet the fit and proper standard applying to Responsible Persons, and unless there are exceptional circumstances, must also satisfy additional criteria.<sup>9</sup>

The processes for making sure that auditors satisfy applicable additional criteria are discussed in section 6.

## 2.4 APRA discretion in relation to Bendigo

APRA may also decide that any person is a Responsible Person of an ADI if APRA is satisfied that the person plays a significant role in the management or control of a Regulated Entity, or that the person's activities may materially impact on Prudential Matters.

APRA may also decide that a person is not a Responsible Person in relation to a particular position, responsibility or activity if APRA is satisfied that the person does not play a significant role in the management or control of the Regulated Entity or that the person's activities may not materially impact on Prudential Matters.

A decision by APRA will be notified in writing to the Regulated Entity and may be subject to such conditions as APRA believes are appropriate.

Each person APRA decides is a Responsible Person will be required to meet the fit and proper standard in accordance with this Fit and Proper Policy.

## 3 Entity needs and fitness analysis

As stated above, Sandhurst is itself subject to a "fit and proper" requirement under Regulation 4.14 of the SIS Act. Bendigo is subject to an obligation equivalent to a fitness requirement under paragraph 7 of the Governance Prudential Standards.

### (a) Senior Managers

The Regulated Entities satisfy these requirements by working out the level of skills and expertise reached by Senior Managers relative to the scope and scale of their operations.

The Regulated Entity needs and fitness analysis must be undertaken, or updated, in each of the following circumstances.

(a) Whenever the Regulated Entity's needs are materially affected.

Example: If there are any material changes in any of the following.

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<sup>8</sup> Audit services are provided to Bendigo by an audit firm or company, and APRA has confirmed to the Company Secretary that the person who is subject to the fit and proper requirement is the lead auditor.

<sup>9</sup> These additional criteria are principally, registration as an auditor under the Corporations Act; residence in Australia; membership of a recognised professional body; and a minimum of five years experience.

- (i) Business activities of the Regulated Entity.
  - (ii) The external environment in which the Regulated Entity operates (including, for Sandhurst, changes in membership profile or in membership base).
- (b) Whenever a person in a Responsible Person position retires, resigns or is removed.
- (c) Annually (or as close to annual as practicable).

The analysis of the Regulated Entity's needs is to be made, in the case of Bendigo, by the CEO, and in the case of STL, by the Chief General Manager, Wealth and Third Party Banking, and approved by the Board.

The Regulated Entity needs and fitness analysis is to be undertaken by detailing the generic skill sets or expertise required to be provided collectively by Senior Managers, outsourcing arrangements or specialist service providers, and setting out the current skills to be held by the Regulated Entity's Senior Managers. This will help to identify any gaps in skills available to the Regulated Entity.

The Regulated Entity needs and fitness analysis is to be documented in the case of Bendigo, by the CEO (or their delegate), and in the case of STL, by the Chief General Manager, Wealth and Third Party Banking (or their delegate). The documentation will contain the following.

- A list of all activities the Regulated Entity currently undertakes.
- A list of activities anticipated in the Regulated Entity's strategy and business plan.
- A list of any other matters in the Regulated Entity's strategy and business plan that require a particular skill or expertise to manage.
- A list of key risks from the Regulated Entity's risk management strategy that require a particular skill or expertise to manage.

Beside each of the above activities, matters and risks, the particular skill set or expertise required to carry out the activities or to manage the matters or key risks identified will be noted.

After the assessments referred to below in section 5 in relation to Senior Managers, the Regulated Entity needs and fitness analysis must then be updated to work out the skills available within the ranks of the existing and proposed Senior Managers.

The skill sets that are not available from Senior Managers must be acquired from external service providers or from specialist experts.

The Regulated Entity needs and fitness analysis, completed with the skills available, will be signed off in the case of Bendigo, by the CEO, and in the case of STL, by the Chief General Manager, Wealth and Third Party Banking and provided to the Board for noting, together with an action plan for addressing any gaps in skills available to the Regulated Entity, no later than the next following scheduled meeting after it is completed.

## **(b) Directors**

In the case of directors, the required competencies are to be documented on a collective basis. The Board as a whole is responsible for documenting collective competencies and assessing whether the Board as a whole possesses those competencies, having regard to the outcome of individual fitness and propriety assessments.

## **4 Fitness and propriety**

### **4.1 General principles**

#### **(a) Fitness**

Responsible Persons must have appropriate knowledge, skills and experience. A Regulated Entity must clearly document the competencies required for each Responsible Person position.

Having regard to the Regulated Entity needs and fitness analysis and the responsibilities of each Responsible Person position, in the case of Bendigo, the CEO (or delegate), and in the case of STL, the Chief General Manager, Wealth and Third Party Banking (or delegate) must identify and document the competency requirements for the Responsible Person position.

The Chairman of Bendigo (or delegate) must identify and document the competency requirements for the CEO's position.

In the case of Senior Managers, it is necessary to document that the collective competencies of Senior Managers result in the Regulated Entity having the attributes necessary to operate effectively and prudently. This is discussed in section 3.

In the case of Directors, every director is generally expected to have a general knowledge of:

- the role and responsibilities of a director;
- the Regulated Entity, its business and its regulatory environment;
- financial reporting; and
- risk management practices.

However, each director is not expected to have all the competencies that the Board collectively needs if other directors have those competencies or they are obtained from external consultants or experts.<sup>10</sup>

Bendigo has adopted an Appointment of Non-Executive Directors Policy which requires selection criteria for new appointments to be developed having regard to, amongst other things, an assessment of the following matters.

- (a) The skills, knowledge and experience necessary to deliver the strategy of the Bendigo Group.
- (b) The skills, knowledge and experience of current directors.
- (c) Any skills, knowledge and experience not adequately represented by current directors.

## **(b) Propriety**

Responsible Persons must also act with honesty and integrity and therefore each Responsible Person, individually, must satisfy requirements in relation to propriety.

## **4.2 Relevant factors**

The factors which will be taken into account in reaching a judgment as to an individual's fitness and propriety to act as a Responsible Person include the following.

- (a) The person's **character, competence and experience** relative to the duties involved, including whether there are reasonable grounds to believe the person:
  - (i) possesses the necessary skills, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the particular duties and responsibilities of the role in question; and
  - (ii) has demonstrated the appropriate competence in fulfilling occupational, managerial or professional responsibilities previously and / or in the conduct of his or her current duties.

In the case of Sandhurst, each Responsible Person must have knowledge of the following.

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<sup>10</sup> Paragraph 7 of each Governance Prudential Standard states that each director must have skills that enable them to make an effective contribution to Board deliberations and processes. This includes the requirement for directors, collectively, to have the necessary skills, knowledge and experience to understand the risks of the regulated institution, including its legal and prudential obligations, and to ensure that the regulated institution is managed in an effective way taking into account these risks.

- (a) Prudential requirements applying to a trustee company.
  - (b) Trustee governance.
  - (c) Complaints procedure.
  - (d) Basic investment knowledge.
  - (e) Basic knowledge of elements and application of Registrable Superannuation Entity licensee and trust law.
  - (f) SIS Act requirements, especially section 52 of the SIS Act.<sup>11</sup>
- (b) Whether the person:
- (i) has demonstrated a lack of willingness to comply with **legal obligations, regulatory requirements** or professional standards, or been obstructive, misleading or untruthful in dealing with regulatory bodies or a court;<sup>12</sup>
  - (ii) has breached a **fiduciary obligation**;
  - (iii) has a **conflict of interest** which may influence the Regulated Entity's or the person's ability to carry out his or her role and functions with the degree of probity and independence required or, in the case of Sandhurst, with regard to the duty of care to superannuation fund members, or has failed to deal appropriately with such conflicts;
  - (iv) has perpetrated or participated in negligent, deceitful, or otherwise **discreditable business or professional practices**;
  - (v) has been reprimanded, or disqualified, or removed, by a **professional or regulatory body** in relation to matters relating to the person's honesty, integrity or business conduct;
  - (vi) has seriously or persistently failed to manage **personal debts or financial affairs** satisfactorily in circumstances where such failure caused loss to others;
  - (vii) has been substantially involved in the **management of a business or company which has failed**, where that failure has been occasioned in part by deficiencies in that management;
  - (viii) is of **bad repute** in any business or financial community or any market; and
  - (ix) was the subject of **civil or criminal proceedings or enforcement action**, in relation to the management of an entity, or commercial or professional activities, which were determined adversely to the person (including by the person consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct) and which reflected adversely on the person's competence, diligence, judgement, honesty or integrity.

The Fit and Proper declaration which each Responsible Person will be required to provide will require disclosure of any information relevant to a consideration of these factors.

The foregoing is not an exhaustive list but includes examples of matters that a Regulated Entity will consider when assessing an individual's status or suitability. Demonstration of one or more of the above criterion is not, in itself, sufficient to make an individual not fit and proper. However, it will lead the Regulated Entity to further consider a person's status or suitability to be appointed or continue to act as a Responsible Person.

In addition, in the case of Bendigo, as identified above, if a person has a conflict of interest, that person will not be appointed to, or permitted to hold, a Responsible Person position with Bendigo unless the Regulated Entity is satisfied that the conflict will not create a material risk that the person will fail to perform properly the duties of the position.

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<sup>11</sup> Section 52 deals with covenants to be included in governing rules which require the trustee, for example, to act honestly and to exercise care, skill and diligence.

<sup>12</sup> The Governance Prudential Standards impose an express obligation on directors and senior management to make themselves available to meet with APRA on request. Acknowledgment of this requirement is included in the Fit and Proper declaration.

The Regulated Entities' policies for identifying and managing conflicts of interest are discussed further below in section 4.3.

In order to make sure that the competency requirements are met and maintained, if a fit and proper assessment of a Responsible Person shows that the Responsible Person does not have up to date knowledge in a required area, the Responsible Person must undertake any training reasonably required by the Regulated Entity so as to meet or to continue to meet the fitness and propriety requirements.

### 4.3 Conflicts of interest

#### (a) Generally

At all times Responsible Persons are required to act in the best interests of shareholders, and, in the case of Sandhurst, members of its superannuation funds.

The Fit and Proper Person declaration requires a declaration that there are no actual or potential conflicts of interest that are likely to influence the person's ability to carry out his or her role and functions with appropriate probity and competence. If this declaration cannot be made, details of any conflicts must be disclosed. This declaration must be repeated annually.

##### (i) Bendigo

The Fit and Proper Prudential Standards expressly state that a person is not fit and proper unless the person either:

- (A) has no conflict of interest in performing the duties of the responsible person position; or
- (B) if the person has a conflict of interest, the conflict does not create a material risk that the person will fail to perform properly the duties of the position.<sup>13</sup>

The Bendigo and Adelaide Bank Group Code of Conduct and Conflicts of Interest Policy require all directors and employees of Bendigo and Adelaide Bank Group entities to disclose any conflicts of interest if they arise.

Directors of Bendigo are also required by the Bendigo and Adelaide Board Charter to disclose at any meeting of directors any conflict or conflicts that might arise, as and when they arise, and to absent themselves from meetings at which matters in relation to which they have a conflict are discussed, unless other directors resolve that they should be present.

##### (ii) Sandhurst

In the case of Sandhurst, SGN 110.15 states that a factor which would influence an assessment of whether an individual meets the fit and proper standard is whether the individual has a conflict of interest which affects the superannuation trustee's or the individual's ability to carry out their role and functions with the degree of probity and independence required or with regard to the duty of care to superannuation fund members, or has failed to deal appropriately with such conflicts.

The Code of Conduct and the Conflicts of Interest policy apply to Sandhurst as a member of the Bendigo and Adelaide Bank Group. In addition, Sandhurst has adopted the following controls in relation to conflicts.

Sandhurst has identified the following types of conflicts that exist or can arise.

- (A) A personal conflict of interest, between a Director and their personal business interests.

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<sup>13</sup> The Governance Prudential Standards provide explicit guidance as to what is a conflict of interest where the responsible person is an auditor. Paragraph 51 states that there is a conflict of interest situation if, because of circumstances at a particular time, the auditor is not capable of exercising objective and impartial judgment, or a reasonable person would conclude that the auditor is not capable of exercising objective and impartial judgment. This guidance is equally relevant to the issue of whether an auditor is fit and proper for the purposes of this Fit and Proper Policy. It is considered that an auditor who has a conflict of interest within the meaning of the Governance Prudential Standards is not fit and proper for the purposes of this Fit and Proper Policy.

- (B) An intra-group conflict of interest, between the interests of Sandhurst and the interests of other members of the Bendigo and Adelaide Bank Group.

Example: Sandhurst's own managed funds which are distributed through Bendigo's branch network.

- (C) A trustee conflict of interest, between Sandhurst in its role of a trustee (of both superannuation and non-superannuation funds), and Sandhurst as an investment manager and trustee service provider. Specifically, this conflict arises because Sandhurst seeks to be a profitable business that, as a subsidiary of a public company, needs to act in the best interest of its shareholders, which may conflict with the interests of those for whom Sandhurst acts as trustee. Further, a number of directors of Sandhurst also have an executive role as an employee of Bendigo.

A Director who believes that a conflict exists must disclose details of the conflict to the Sandhurst Board, through either a specific or standing notice. A notice must give details of the nature and extent of the interest and relation of the interest to the affairs of Sandhurst, be given at a directors' meeting as soon as practicable after the person becomes aware of their interest, and be recorded in the minutes of the meeting. Where the conflict is a personal conflict, the facts of the conflict and the method of resolution are also recorded in a Conflicts of Interest Register.

A notice of conflict of interest takes effect as soon as it is given. However, it ceases to have effect if the materiality of the interest increases above that which is disclosed. A standing notice also ceases to have effect if a new director is appointed, until the new director is given the standing notice.

The methods of controlling the three identified types of conflicts of interest are as follows.

1. After a personal conflict of interest has been disclosed, the person must not be present at a directors' meeting while the matter is being considered, or vote on the matter.
2. In the case of an inter-group or trustee conflict of interest, the Sandhurst Board must follow and document a process that transparently sets out the approach that the Board will adopt in reaching their decision. At a minimum the process must involve the following.
  - A clear description of the matter being considered.
  - A short synopsis of how and why the conflict arises.
  - The analysis that the directors have undertaken in reaching the decision.
  - The supporting data used in the analysis, including recording the source of the data. Where possible, the data should be obtained from an independent source.
3. Sandhurst in its capacity as a trustee (eg of superannuation funds) must charge the same or lower fees for trustee services to Sandhurst sponsored or Sandhurst related sponsored funds as it would if the fund was not Sandhurst sponsored or Sandhurst-related sponsored and ensuring those fees are competitive in the broader investment market.

Responsible Persons may only accept and receive token gifts, modest hospitality and professional courtesies. They must not accept or give a gift, hospitality or courtesy that could either lead to, or be seen to lead to, a conflict of interest such that their judgment is prejudiced or improperly influenced. Gifts and hospitality are recorded in the Gifts Register.

#### **(b) Former auditors**

The Governance Prudential Standards adopt the approach that it is not appropriate that a person who has previously been involved in the audit of an ADI be appointed as a director or to a senior management position within two years after the audit, as to allow this would compromise the person's independence and objectivity. Therefore, for the purposes of this Fit and Proper policy a person who has served in a professional capacity in the audit of a Regulated Entity in the previous two years is considered not to be fit and proper for the purposes of assuming a Responsible Person position.

In any event, the Corporations Act prohibits a person who ceases to be a director of an audit company, who was a professional member of the audit team for a company, from being an officer of the company for two years from ceasing to be a director of the audit company (section 324CI). The same prohibition applies to a person who was not a director of the audit company but who was lead auditor or review auditor (section 324CJ).

Confirmation is required in the Fit and Proper declaration that a proposed director or senior manager has not been involved in the audit of the Regulated Entity in the previous two years.

#### 4.4 Disqualification

Regulation 4.14 of the SIS Act and the Fit and Proper Prudential Standards provide that a person does not meet the fit and proper requirement applying to a Regulated Entity if the person is disqualified under the legislation relevant to the particular Regulated Entity.

If a person is disqualified under any APRA administered legislation or is prohibited from being a director of a body corporate under the Corporations Act, it is unlikely that the person would meet the fit and proper standard applying to any Regulated Entity. Therefore, a person is considered to be a Disqualified Person for the purposes of this Fit and Proper Policy if the person has been:

- (a) disqualified under any APRA administered legislation; or
- (b) prohibited from being a director under the Corporations Act or overseas equivalent.

A Disqualified Person does not satisfy requirements in relation to propriety. A person will not be appointed or permitted to continue to act as a Responsible Person of a Regulated Entity if they are or become a Disqualified Person.

### 5 Appointing Responsible Persons

#### 5.1 Prerequisites to recommendation for appointment

- (a) The analysis of the fitness and propriety of a person considered for appointment to a Responsible Person role (including obtaining Fit and Proper declarations) is to be made by the following persons (or their delegate).

In relation to	Assessment by
Senior Managers and Company Secretary	in the case of Bendigo, the CEO in the case of STL, the CGM, Wealth and Third Party Banking
Directors	Chairman
Chairman	Board as a whole
Auditors	Audit Committee

- (b) An individual fitness and propriety analysis in respect of the proposed appointee must be prepared. This will be used in respect of each prospective appointee to match the skills available against the Regulated Entity's operational requirements for the Responsible Person position.
- (c) The proposed appointee must do each of the following.
  - (i) Complete and sign a satisfactory Fit and Proper declaration.
  - (ii) Provide a resume and proofs of qualifications (where applicable) or other documentary evidence in support of their declaration of competence in the Fit and Proper declaration.

- (iii) Consent to the Regulated Entity obtaining and using personal information for the purpose of assessing their fitness and propriety and to information being disclosed to APRA and used for APRA powers and functions by completing and signing a privacy consent form (which may be included in the Fit and Proper Person declaration).
  - (iv) Consent to the proposed appointment, agree to comply with this Fit and Proper Policy (including agreeing to undertake any training reasonably required by the Regulated Entity so as to meet or to continue to meet the Fitness and Proper requirements) by completing and signing the consent to appointment form (which may be included in the Fit and Proper declaration).
- (d) Any recommendation for appointment will be subject to the following.
- (i) Receipt of a satisfactory Australian Federal Police check in respect of the proposed appointee in any form specified by APRA.
  - (ii) Receipt of satisfactory documentary evidence of the proposed appointee's competence to discharge the responsibilities of the position.
  - (iii) The proposed appointee not being a Disqualified Person, including a check of the APRA Disqualification Register and ASIC register of persons who are disqualified from managing a corporation.
  - (iv) Satisfactory results of any other appropriate searches or external checks, including a bankruptcy search.

Note: The requirement for these checks is at the time of appointment and does not apply to the reassessment of fitness and propriety, unless there is a particular reason to obtain a further check.

## 5.2 Assessment before appointment

An individual must be assessed as a fit and proper person before appointment as a Responsible Person. However the person may be appointed before the assessment if any of the following apply.

- (a) In all cases, the individual holds the position of director because of a resolution of the members of the Regulated Entity.
- (b) In the case of Bendigo, APRA has determined the individual is a Responsible Person following their appointment.
- (c) In the case of Bendigo, the appointment is an interim appointment.<sup>14</sup>

In these cases, an assessment must be carried out within 28 days of appointment. The person must provide the declarations and consents required by this Fit and Proper Policy, adapted to reflect that the person holds a Responsible Person position rather than being an applicant for a position.

## 5.3 Appointment and Sign Off Process

Final sign off for the appointment of a Responsible Person is the responsibility of the following persons.

**In relation to**

Senior Managers

**Appointment sign off**

in the case of Bendigo, the CEO

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<sup>14</sup> The Fit and Proper Prudential Standards provide for interim appointment for up to 90 days before full assessment need be conducted. However, SGN 110.1 does not provide for interim appointments and therefore this policy does not permit them for Sandhurst.

	in the case of STL, the CGM, Wealth and Third Party Banking
Directors	Chairman
Company Secretary	Board as a whole
Auditors	Audit Committee

The Company Secretary of the Regulated Entity will be responsible for advising APRA of all Responsible Person appointments.<sup>15</sup>

#### 5.4 Documentation on nomination or appointment

Any candidate for election as a director of a Regulated Entity will be provided with a copy of this Fit and Proper Policy and APS 520, APG 520, Regulation 4.14 of the SIS Act and/or the covenants described in section 52 of the SIS Act, as applicable, as soon as possible after their nomination.

A person determined to be a Responsible Person by APRA will be provided with a copy of the relevant documents as soon as possible after the determination is made.

All other prospective Responsible Persons will be provided with a copy of the relevant documents before being appointed (and before they are assessed for fitness and propriety).

### 6 Auditors - Bendigo

Audit services are to be provided to Bendigo by an audit company and therefore the lead auditor is a Responsible Person who must meet the fit and proper standard. The lead auditor must also satisfy the following requirements.

- Be registered as an auditor under the Corporations Act.
- Be ordinarily resident in Australia.
- Be a member of a recognised professional body.
- Have a minimum of five years relevant experience in the audit of ADIs.
- Be familiar with current issues in the audit of ADIs.

Confirmation from the lead auditor that he or she meets the additional specific requirements is included in the Fit and Proper declaration. Documentary evidence must be provided in support of the confirmation, and a check of the ASIC auditors register is required.

The audit company is required to provide a declaration that the audit company is unaware of anything contradicting what is stated in the lead auditor's Fit and Proper declaration.

### 7 Continuing requirements – Responsible Persons

#### 7.1 Requirement to continue to satisfy the standard for fitness and propriety

All Responsible Persons are required to satisfy the required standard for fitness and propriety on a continuing basis.

A Responsible Person must immediately tell in the case of Bendigo, the CEO and, in the case of STL, the CGM, Wealth and Third Party Banking if any of the following occurs.

- (a) He or she becomes a Disqualified Person.

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<sup>15</sup> The Fit and Proper Prudential Standards require APRA to be informed of responsible person appointments made by Bendigo or Sunstate within 28 days. The information that must be provided is full name, date of birth, person's position and main responsibilities. Section 29E of the SIS Act and the conditions of Sandhurst's RSE licence require details of Responsible Persons to be provided to APRA within 14 days.

- (b) There is a change in circumstances that affects or may affect his or her ability to meet the fitness and propriety standard.
- (c) There is a change in circumstances affecting the Responsible Person that will have or may have an impact on a Regulated Entity's prudential status, AFSL or RSE licence.

If the Responsible Person is the CEO or a director, he or she must tell the Chairman of the Board.

Each Responsible Person must reaffirm annually by written declaration, in the required form, that the information given in their initial declaration has not changed. Each declaration is to be delivered to the Company Secretary of the Regulated Entity, and provided to the persons responsible for making fit and proper assessments.

## 7.2 Ongoing training and education

Responsible Persons need a range of basic knowledge that is essential for them to understand their duties, including the duty to make decisions in the best interests of shareholders and, in the case of Sandhurst, members of superannuation funds. Subject to the Responsible Persons demonstrating that they hold the requisite core skills, this knowledge can be imparted by training after appointment if the individual does not already have it.

The analysis of each Responsible Person's basic knowledge through the individual fitness and propriety analysis will result in those knowledge areas where the individual does not have sufficient knowledge, being recorded as requirements in the training register.

The training register will be maintained by Company Secretary of the Regulated Entity showing training required and training undertaken, a summary of which will be reported to the persons responsible for making the fit and proper assessments annually at the time the annual Fit and Proper declarations are provided.

The Regulated Entities' education and training requirements for Responsible Persons to satisfy the requirements for educational, technical and practical qualifications as Responsible Persons are set out below.

### (a) Bendigo

#### (i) Directors

Bendigo has an induction program for directors to make sure that new directors are appropriately introduced to management and the business and that all directors are acquainted with relevant industry knowledge.

Following appointment, a director will be provided with a Directors' manual containing information about Corporate Governance Policies and the business of Bendigo and the Group.

In addition, a director will participate in an induction program that includes the following.

- One-on-one meetings with the Managing Director, Executive Committee members, the head of Internal Audit and the external audit engagement partner.
- Branch visits (including a Community Bank® company and Company-owned branch).
- On joining any Board committee, an induction program for the committee.

Bendigo expects its directors to educate themselves on an ongoing basis to make sure that they may appropriately and effectively perform their duties. As decided by the Board, relevant briefings from key executives and industry experts are arranged and ongoing education is provided from time to time, at the expense of Bendigo. Attendance at any external programs at the expense of Bendigo must be confirmed in advance with the Chairman.

#### (ii) Senior managers

Bendigo will introduce an induction program for senior managers to make sure that new senior managers are aware of Bendigo's financial position, strategies, operations and risk management policies and the respective rights, duties and responsibilities and roles of the board and senior

managers. Bendigo will also require senior managers to undertake, where identified as part of the annual Fit and Proper analysis, an appropriate training and development course. Bendigo will also support senior managers maintaining and enhancing their knowledge and skills through the following.

- Providing a structured external studies assistance program to support senior managers seeking to undertake external studies relevant to their role and responsibilities
- Providing annual budget allocations for attendance at professional development seminars, conferences, short courses and industry forums relevant to their role and responsibilities.
- Maintaining memberships with relevant industry associations and groups.
- Maintenance of appropriate professional libraries and support services.

*(iii) Auditors*

Ongoing training and education will not be provided to auditors. Auditors will be required to confirm in their annual declarations that they have undertaken training and education as needed.

**(b) Sandhurst**

*(i) Directors*

Sandhurst has an induction program for directors to make sure that new directors are appropriately introduced to management and the business and that all directors are acquainted with relevant industry knowledge.

Depending on the new director's past experience, the induction program may include the following.

- (A) A meeting with management to obtain an overview of funds under trusteeship.
- (B) An introduction to Sandhurst's superannuation staff and the major service providers.
- (C) Immediate access to an introductory training course.  
Examples:
  - ASFA 100 – Overview
  - ASFA 200 – Trusteeship
  - ASFA 146 – Fast Track Superannuation
  - ASFA – Super Foundation
  - ASFA – Trustee Know-how
- (D) Access to a senior superannuation employee for ongoing assistance with any detailed questions about any fund's operations.

Following appointment, a director will be provided with a Directors' manual containing a variety of materials and documents that they may need to refer to, either at the time of joining the board or at a later time, for example the strategic plan and current business plan and budget, the Sandhurst risk management strategy and each fund's trust deed and risk management plan.

A process is in place to make directors aware of AFSA and other relevant superannuation and trustee related courses. Directors receive information on educational opportunities through membership with various industry bodies such as AFSA, IFSA and TCA.

Directors are expected to maintain their knowledge of the superannuation industry through reading a variety of hardcopy publications and electronic newsletters on a weekly basis.

Directors also receive technical information through membership with various industry bodies such as AFSA, IFSA and TCA.

*(ii) Senior managers*

Sandhurst has adopted a training policy which addresses ongoing training and education needs of senior staff.

### **7.3 Documentation updates**

Responsible Persons will be informed of and provided with copies of any amendments, updates or additions which may be made to this Fit and Proper Policy (as and when they are made).

## 7.4 Reassessment of fitness and propriety

A Responsible Person's fitness and propriety will be re-assessed in the following cases (by the person set out in clause 5.1(a)).

- (a) Annually (or as close to annual as practicable).
- (b) Whenever the Responsible Person's role and responsibilities are materially affected.

Examples by material changes in the following.

- (i) Structure and organisation of the Regulated Entity.
- (ii) Business activities of the Regulated Entity.
- (iii) External environment in which the Regulated Entity operates.

A new individual fitness and propriety analysis and Fit and Proper declaration in the required form must be provided.

Note: The requirement for the checks in 5.1(d) is at the time of appointment and does not apply to the reassessment of fitness and propriety, unless there is a particular reason to obtain a further check

## 7.5 Action if a Responsible Person does not continue to satisfy the standard for fitness and propriety

If a Regulated Entity considers, or has reason to suspect, that a Responsible Person does not continue to satisfy the required standard of fitness and propriety, the Regulated Entity must consider what action may be necessary in relation to that Responsible Person, in the particular circumstances.

A guide to the steps that a Regulated Entity may take are set out in Attachment B.

In the case of an employee, possible action will include, obtaining further information, taking necessary legal advice, counselling the person, further training of the person, recommending that there be a change to the nature of work carried out by the person if he or she is to continue to be an employee and removal (or procuring removal) from office.

If there are no effective steps which a Regulated Entity can prudently take to make sure that a person does not hold a Responsible Person position for which they are not fit and proper, the Regulated Entity may take steps to facilitate APRA independently considering the person's fitness and propriety.

A person who will not be appointed to, or who is to cease to hold, a Responsible Person position on the grounds that they are a Disqualified Person, will be informed of that fact.<sup>16</sup>

## 8 Privacy and confidentiality

It will be necessary for a Regulated Entity to obtain personal information (which may include sensitive information, eg membership of a professional association) about both employees and non-employees in order to decide whether a person satisfies fit and proper requirements under this Fit and Proper Policy.

A Regulated Entity may hold information about a person which was not collected for the purposes of compliance with this policy. However, the Regulated Entity will still be required to use that information for the purposes of assessing the person's fitness and propriety.

APRA may require a Regulated Entity to obtain information and documentation relevant to the assessment of a person's fitness and propriety, or the performance by APRA of its powers and functions.

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<sup>16</sup> A person who is disqualified under the Banking Act 1959 commits an offence under section 19 if the person acts as a director or senior manager of an ADI. A person who is disqualified under the SIS Act commits an offence under section 122 if the person acts as a responsible officer of a superannuation trustee.

Information collected under this Fit and Proper Policy will be used only for the purpose of compliance with this Fit and Proper Policy, laws and regulatory requirements (including Regulation 4.14 of the SIS Act, the Fit and Proper Prudential Standards and the Fit and Proper Prudential Practice Guides) and ASX listing rules. It will otherwise be kept confidential and disclosed only to the following.

- Statutory and regulatory bodies.
- The person to whom it relates.

There is no obligation on a Regulated Entity under the Privacy Act to provide an employee with access to personal information, and a Regulated Entity is entitled to decline to provide access to personal information to non-employees in certain circumstances. However, where a Regulated Entity becomes aware of information that could lead to an assessment that a person is not fit and proper for reasons other than that the person is a Disqualified Person, the person will be given a fair opportunity to put matters to the Regulated Entity.<sup>17</sup> These processes are discussed further in Attachment B. Consequently, under this Fit and Proper Policy, a person will be provided with the following information on request.

- The reasons why the Regulated Entity considers that the person is not fit and proper.
- Factual personal information held by a Regulated Entity about that person.

A proposed appointee to a Responsible Person position must provide a privacy consent providing for consent to the collection and use of personal information under this Fit and Proper Policy in the required form (which may be included in the Fit and Proper declaration).

## **9 Whistleblowing and reporting of concerns**

Notwithstanding anything contained in a contract of employment or any other policy adopted by or binding on a Regulated Entity, the Regulated Entities and their subsidiaries consent to the following.

- (a) A person notifying either the person responsible for conducting fit and proper assessments or APRA of any belief that a Responsible Person does not meet the fit and proper standard in accordance with this Fit and Proper Policy, and the reasons for it.
- (b) Any person who held a Responsible Person position disclosing information or providing documents to APRA relating to their reasons for resignation, retirement or removal.
- (c) A person who believes that the Regulated Entity has not complied with this Prudential Standard to notify APRA of that belief and the reasons for it.

All reasonable steps will be taken to make sure that no person making such disclosures in good faith is subject to, or threatened with, a detriment because of any notification in purported compliance with the requirements of this Fit and Proper Policy.

The Regulated Entity must not, and must make sure that its subsidiaries do not, constrain, impede, restrict or discourage, whether by confidentiality clauses, policies or other means, any person from disclosing information or providing documents to APRA about matters referred to above.

The provisions of this section are to be drawn to the attention of the Regulated Entity's Responsible Persons, being directors and employees who are likely to have information relevant to fit and proper assessments.

## **10 Service providers**

Any skills that a Regulated Entity requires to conduct its operations that are not available from its Responsible Persons or from delegates or management, will be met by outsource service providers or by internal or external experts. Outsource providers may be related entity providers or unrelated external providers. Specialist technical expert services such as asset consultancy, legal,

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<sup>17</sup> The Fit and Proper Prudential Practice Guides state that taking reasonable steps to determine fitness and propriety will generally include providing a person with a fair opportunity to put forward an explanation of information that could lead to an assessment that the person is not fit and proper.

tax and actuarial will either be provided from specialist services, available within a Regulated Entity or from external sources.

Where skills are provided by outsource service providers, the arrangement will be the subject of appropriate agreements and subject to the Group Outsourcing Policy and the APS 222 Related Parties Policy, as appropriate.

If the Regulated Entity needs and fitness analysis requires skills provided by external consultants and advisors this will be noted in the analysis.

## **11 Documents retained with this Policy**

The Company Secretary of each Regulated Entity will retain with this Policy all documents relevant to this Policy or created for the purpose of this Policy.

Examples:

- The Regulated Entity needs and fitness analysis.
- The skills analysis for the Board of the Regulated Entity.
- Individual fitness and propriety analysis.
- Fit and proper declarations.
- Records of searches conducted and information obtained to verify fit and proper declarations.
- The training register.
- Records of action taken if there are concerns that a person is not fit and proper.
- Any decision by APRA that a person is a Responsible Person.

## 12 Definitions and Interpretation

### 12.1 Definitions

The following expressions have the meaning set out below.

Expression	Meaning
<b>ADI</b>	Authorised Deposit Taking Institution
<b>AFSL</b>	Australian Financial Services Licence
<b>APG 520</b>	Prudential Practice Guide 520 Fit and Proper (ADIs)
<b>APRA</b>	Australian Prudential Regulation Authority
<b>APS 520</b>	Prudential Standard APS 520 Fit and Proper (ADIs)
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Bendigo</b>	Bendigo and Adelaide Bank Limited ABN 11 068 049 178
<b>Disqualified Person</b>	<p>(1) a disqualified person for Part 15 of the SIS Act;</p> <p>(2) a disqualified person under the Banking Act 1959;</p> <p>(3) a disqualified person under the Insurance Act 1973;</p> <p>(4) a person who is disqualified from managing corporations under the Corporations Act 2001, or similar equivalent overseas legislation.</p> <p><i>Note:</i> In the case of SIS, a person is a disqualified person if any of the following apply (s120 SIS Act).</p> <p>(a) the individual was convicted of an offence against or arising out of a law of the Commonwealth, a State, a Territory or a foreign country, being an offence in respect of dishonest conduct; or a civil penalty order was made in relation to the person; or</p> <p>(b) the person is an insolvent under administration; or</p> <p>(c) the Commissioner of Taxation has disqualified the individual under section 120A.</p> <p>(d) The Federal Court has disqualified the individual under section 126H.</p> <p>In the case of an ADI, a person is disqualified if any of the following apply (s20 Banking Act 1959).</p> <p>(a) The person has been convicted of an offence against or arising out of:</p> <p>(i) the Banking Act or Insurance Act; or</p> <p>(ii) the Financial Sector (Collection of Data) Act 2001; or</p> <p>(iii) the Corporations Act 2001, the Corporations Law that was previously in force, or any law of a foreign country that corresponds to that Act or to that Corporations Law; or</p> <p>(b) the person has been convicted of an offence against or arising out of a law in force in Australia, or the law of a foreign country, where the offence related or relates to dishonest conduct, or to conduct relating to a company that carries on business in the financial sector; or</p> <p>(c) the person has been or becomes bankrupt; or</p> <p>(d) the person has applied to take the benefit of a law for the relief of bankrupt or insolvent debtors; or</p> <p>(e) the person has compounded with his or her creditors;</p> <p>(f) the Federal Court has disqualified the person under section 21 of Banking Act or s25 of Insurance Act; or</p> <p>(g) the person has been disqualified under the law of a foreign country from managing, or taking part in the management of, an entity that carries on the business of banking or insurance or otherwise deals in financial matters.</p>

<b>Fit and Proper Prudential Practice Guides</b>	APG 520 (ADIs)
<b>Fit and Proper Prudential Standards</b>	APS 520(ADIs)
<b>Governance Prudential Standards</b>	Prudential Standard APS 510 Governance (ADIs)
<b>Group</b>	Bendigo and Adelaide Bank Limited and its related bodies corporate, excluding Rural Bank Limited.
<b>Personal information</b>	Personal information within the meaning of the Privacy Act
<b>Privacy Act</b>	Privacy Act 1988
<b>Prudential Matters</b>	As defined in section 5 of the Banking Act 1959 for an ADI.  In the case of an ADI, prudential matters are defined as follows. (a) The conduct by an ADI, a relevant group of bodies corporate, or a particular member or members of such a group, of any part of its or their affairs in such a way as: (i) to keep the ADI, group or member or members of the group in a sound financial position; or (ii) not to cause or promote instability in the Australian financial system; or (b) The conduct by an ADI, a relevant group of bodies corporate, or a particular member or members of such a group, of its or their affairs with integrity, prudence and professional skill.  (a)
<b>Regulated Entity</b>	As the context requires: (1) Bendigo (3) Sandhurst
<b>Responsible Person</b>	In the case of Bendigo, a responsible person as defined in APS 520. (1) A director of the regulated institution. (2) A senior manager of the regulated institution, ie a person (other than a director of that regulated institution) who: (a) Makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the regulated institution. (b) Has the capacity to affect significantly the regulated institution's financial standing. (c) May materially affect the whole, or a substantial part, of the business of the regulated institution or its financial standing through their responsibility for: (i) enforcing policies and implementing strategies approved by the Board of the regulated institution; or (ii) the development and implementation of systems that identify, assess, manage or monitor risks in relation to the business of the regulated institution; or (iii) monitoring the appropriateness, adequacy and effectiveness of risk management systems. (3) An auditor. (4) A person who performs activities for a subsidiary of the regulated institution where those activities may materially affect the whole, or a substantial part, of the business of the regulated institution or its financial standing, either directly or indirectly.  In the case of Sandhurst, a responsible officer as defined in the SIS Act. (1) A director of the body. (2) A secretary of the body. (3) An executive officer of the body ie a person, by whatever name called and whether or not a director of the body, who is concerned, or takes part, in the management of the

	body.
<b>RSE licence</b>	Registrable Superannuation Entity licence
<b>SIS Act</b>	Superannuation Industry (Supervision) Act 1993 and its regulations (including Superannuation Industry (Supervision) Regulations 1994), as amended from time to time
<b>SGN 110.1</b>	Superannuation Guidance Note SGN 110.1 Fit and Proper
<b>Sandhurst</b>	Sandhurst Trustees Limited ABN 16 004 030 737

## 12.2 Interpretation

- (a) Any reference to a Prudential Standard, Guidance Note, or legislation includes a reference to that Prudential Standard, Guidance Note, or legislation as from time to time amended, consolidated, re-enacted or replaced.
- (b) Any words denoting the singular include the plural and words denoting the plural include the singular.
- (c) If any word or phrase is given a definite meaning in this Policy, any part of speech or other grammatical form of that word or phrase has a corresponding meaning.
- (d) Any reference to the Board includes the Board, any committee of the Board and any person or body to which the Board has delegated its powers.

### *Policy approval and amendment history*

	<i>First Approved</i>	<i>Amended version approved</i>
<i>BBL</i>	25/09/2006	28/04/2008, ##/03/2010
<i>STL</i>	28/09/2006	17/04/2008. ##/03/2010

**Attachment A**  
**Process overview**

The following table sets out the steps to be undertaken and responsibilities of the board of directors, chairman of the board and chief executive officer in implementing the Fit and Proper Policy and amendments to it.

<b>Step</b>	<b>Bendigo - Managing Director (CEO)</b> <b>STL – CGM, Wealth and Third Party Banking</b>	<b>Chairman</b>	<b>Board/Committee</b>
<b>Fit and proper policy</b>	Propose		Approve
<b>Identify Senior Managers</b> <i>[section 2.2]</i>	Assess		
<b>Regulated Entity needs and fitness analysis - requirements</b> <i>[section 3]</i>	Prepare		Approve
<b>Board competencies</b> <i>[section 4.1]</i>			Approve
<b>Senior manager competencies</b> <i>[section 4.1]</i>	Approve (Bendigo– except for CEO position)	Bendigo Approve – for CEO position	
<b>Obtain consents</b> <i>[section 5.1(a)]</i>	From Senior Managers	From Board	From Chairman  <i>(and in case of Auditor, the Audit Committee to obtain from Auditor)</i>
<b>Director assessment (including MD) [section 5]</b>		Complete	
<b>Chairman assessment</b> <i>[section 5.1(a)]</i>			Complete
<b>Senior manager assessment</b> <i>[section 5]</i>	Complete		
<b>Auditor assessment (Bendigo)</b> <i>[section 6.1]</i>			Audit Committee Complete
<b>Regulated Entity needs and Fitness Analysis completed for skills available from assessments</b> <i>[section 3]</i>	Complete		Note

## Attachment B

### Responsible Person not fit and proper

The following provides a guide for the steps to be taken if a Regulated Entity forms the view that a Responsible Person is or may no longer be fit and proper. As circumstances may vary, the Regulated Entity retains a discretion in every case to take other steps if appropriate. The Regulated Entity must also comply with its constitution and all relevant laws.

#### (1) Employees of Bendigo

- (a) If the Regulated Entity becomes aware that a Responsible Person is not or may no longer be 'fit and proper', the allegations will be discussed with the person as soon as possible. In the course of this discussion the person will be given the following information on request.
- The reasons why the Regulated Entity considers that the person is not fit and proper.
  - Relevant factual personal information held by a Regulated Entity about that person.
- (b) If the allegations relate to fitness and the discussion does not satisfy the Regulated Entity that the person remains 'fit and proper' the Regulated Entity may do any of the following.
- Suspend the Responsible Person.
  - Counsel the Responsible Person.
  - Require the Responsible Person to undergo training.
  - Change the nature of the work carried out by the Responsible Person.
  - Take any other action the Regulated Entity thinks appropriate to ensure compliance with this Fit and Proper Policy.

The details of the discussion and the status of the matter will be documented and forwarded to Group People and Performance for the Responsible Person's file.

- (c) If the allegations relate to propriety and the discussion does not satisfy the Regulated Entity that the person remains 'fit and proper' the Responsible Person will be suspended from the Responsible Person position and the Regulated Entity's Board will be advised of this and of the circumstances. It will depend on the circumstances whether the Regulated Entity takes any of the other steps identified in paragraph (b).
- (d) If the Responsible Person is suspended, the Responsible Person is to be offered the opportunity to provide a comprehensive written response within a reasonable timeframe rebutting the reasons for the suspension. The Responsible Person will be removed from the Responsible Person position permanently if the Responsible Person:
- declines the opportunity to provide a written response, or
  - fails to provide a comprehensive written response within the agreed timeframe.
- (e) If the Responsible Person provides a written response and that response does not satisfy the Regulated Entity that the person is 'fit and proper' the Responsible Person will be removed from the Responsible Person position permanently. An analysis of the response will be documented and forwarded, together with a copy of the response, to Group Human Resources for the Responsible Person's file.
- (f) If at any time the Responsible Person agrees in writing that he or she is not "fit and proper" the Responsible Person will be removed from the Responsible Person position permanently.
- (g) It will depend on the circumstances as to whether a person in respect of whom a final view has been reached that the person is not fit and proper will have their employment terminated or be reassigned another role. The circumstances will include the reason the person is not fit and proper, the availability of another role and the Regulated Entity's operational and business requirements.

- (h) Until the occurrence of the event in either step (d), step (e) or step (f), the Regulated Entity is not to be taken to have reached a final view on whether the Responsible Person is fit and proper. On the occurrence of any of these events, the Regulated Entity must tell APRA within the prescribed time period (at the date of this Policy, 10 business days) that it has assessed a Responsible Person as not fit and proper. If the person remains in the Responsible Person position, the notification must state the reason for this and the action that is being taken.

## **(2) Non-executive directors**

- (a) If the Regulated Entity becomes aware that a non-executive director is not or may no longer be 'fit and proper', the allegations will be discussed with the person as soon as possible. In the course of this discussion the person will be given the following, on request.
- The reasons why the Regulated Entity considers that the person is not fit and proper.
  - Relevant factual personal information held by a Regulated Entity about that person.
- (b) If the non-executive director does not agree that he or she is not "fit and proper", the director is to be offered the opportunity to provide a comprehensive written response within a reasonable timeframe rebutting the reasons why the Regulated Entity considers that the person is not fit and proper. If the director does not wish to provide a written response and the Regulated Entity is not satisfied the person is "fit and proper" go to step (d).
- (c) If the non-executive director provides a written response and that response does not satisfy the Regulated Entity that the person is 'fit and proper' go to step (d).
- (d) The Chairman (or another director) is to discuss the matter with the non-executive director and seek the director's agreement to resign. If the director does not agree to resign, in the case of Bendigo, the Chairman (or another director) is to inform the director that the Board will not support the director's re-election and may also refer the matter to APRA with a request for APRA to consider the use of its powers to seek to have the director removed. In the case of Sandhurst, the Chairman (or another director) is to inform the director that Bendigo will exercise its powers as the sole shareholder to take steps to remove the director.
- (e) The Chairman (or other director) may refer to the matter to APRA with a request for APRA to consider the use of its powers to seek to have the director removed. If the matter is referred to APRA, the Chairman (or other director) must provide APRA with the following information.
- The reasons why the Regulated Entity considers that the person is not fit and proper.
  - Any written response from the director, and details of any oral response.
  - Factual personal information held by a Regulated Entity about that person.
  - The steps the Regulated Entity has taken to procure the removal of the director.
- (f) Until the occurrence of the event in step (d), or the non-executive director agrees in writing that he or she is not "fit and proper", the Regulated Entity is not to be taken to have reached a final view on whether the Responsible Person is fit and proper. On the occurrence of any of these events, the Regulated Entity must tell APRA within the prescribed time period (at the date of this Policy, 10 business days) that it has assessed a Responsible Person as not fit and proper. If the person remains in the Responsible Person position, the notification must state the reason for this and the action that is being taken.

## **(3) Auditor - Bendigo**

Audit services are provided to Bendigo by an audit company and therefore the fit and proper standard applies to the lead auditor.

- (i) If Bendigo becomes aware that the lead auditor is not or may no longer be 'fit and proper', the allegations will be discussed with the lead auditor as soon as possible. In the course of this discussion the lead auditor will be given the following, on request.
- The reasons why Bendigo considers that the lead auditor is not fit and proper.
  - Relevant factual personal information held by Bendigo about the lead auditor.

- (ii) If the lead auditor does not agree that he or she is not “fit and proper”, the lead auditor is to be offered the opportunity to provide a comprehensive written response within a reasonable timeframe rebutting the reasons why Bendigo considers that the lead auditor is not fit and proper. If the lead auditor does not wish to provide a written response and Bendigo is not satisfied the person is “fit and proper” go to step (iv).
- (iii) If the lead auditor provides a written response and that response does not satisfy Bendigo that the lead auditor is ‘fit and proper’ go to step (iv).
- (iv) The Chairman of the Audit Committee is to discuss the matter with the audit company and seek the appointment of a replacement lead auditor who meets the fit and proper standard. If the audit company does not provide an acceptable replacement lead auditor, the Chairman is to seek the resignation of the audit company as auditor.
- (v) The audit engagement letter is to provide for the following to occur if Bendigo forms the view that the lead auditor is not fit and proper.
  - The audit company is to replace the lead auditor with a person who Bendigo Bank assesses as fit and proper.
  - If the audit company fails to do this within a reasonable time, the audit company agrees to follow the procedure for resignation in the Corporations Act. For the purposes of ASIC Policy Statement 26 Resignation of Auditors, it is agreed that the circumstances are to be treated as exceptional circumstances, in order for ASIC to allow resignation before the next Annual General Meeting.
- (vi) Until the occurrence of the event in step (a) (ii) or (a) (iii), or the lead auditor agrees in writing that he or she is not “fit and proper”, Bendigo is not to be taken to have reached a final view on whether the lead auditor is fit and proper. On the occurrence of any of these events, Bendigo must tell APRA within the prescribed time period (at the date of this policy, 10 business days) that it has assessed a Responsible Person as not fit and proper. If the lead auditor remains in the lead auditor position, the notification must state the reason for this and the action that is being taken.