



# Board Policy

Secretariat

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## OVERVIEW

### BACKGROUND

This document sets out the Board policy in relation to the following matters.

- Board appointment and re-election
- Director independence
- Board renewal
- Board performance assessment
- Non-executive director remuneration
- Subsidiary, joint venture and alliance boards

### APPLICATION

This policy applies to the Board of the Bank.

## POLICY

### 1. Board appointment and re-election

**1.1 Appointment** The policy is for the appointment of directors with the appropriate skills, knowledge, experience and attributes to contribute to the effectiveness of the Board and to provide leadership and contribute to the success of the Group.

The constitution provides that the maximum number of directors is twelve and the minimum number of directors is five. The Board policy is for the majority of directors to be independent.

**1.2 Assessment** An assessment is to be made of each of the following:

- The collective skills, knowledge, experience and attributes necessary to deliver the strategy of the Group.
- The skills, knowledge, experience and attributes of current directors.
- Any skills, knowledge and experience not adequately represented by current directors.

The Board also takes into account the benefits of diversity of thinking.

**1.3 Skills, knowledge and experience** The skills, knowledge and experience to be considered include the following.

Skills, knowledge and experience	Description
Executive leadership	Successful career as a senior executive or CEO
Corporate and business strategy	Experience in the development of strategy and oversight of implementation
Financial acumen	Ability to understand financial statements, capital management and corporate finance, and to assess the adequacy of financial controls

	Risk management	Ability to understand risk culture and the risk management strategy and framework, and monitor the effectiveness of controls
	Corporate governance	Knowledge and experience in sophisticated governance structures and commitment to high standards of corporate governance
	People and workplace health and safety	Experience in overseeing and assessing senior management, remuneration frameworks, workplace health and safety and strategic people management
	Technology and innovation	Experience in information technology systems, digital channels and information security or experience in technology governance
	Public and regulatory policy	Experience in public and regulatory policy
	Banking and financial services	Experience in significant components of the banking and financial services industry such as retail banking, funds management, superannuation, financial advisory and treasury
	Specialist knowledge and expertise	Experience in specialist areas such as agriculture, marketing, e-commerce and social media
	Ethics, culture and integrity	
1.4	Attributes	<p>The attributes include the following, which it is expected all directors will demonstrate:</p> <ul style="list-style-type: none"> <li>• Sound business judgment</li> <li>• Strategic view</li> <li>• Integrity</li> <li>• Preparedness to question, challenge and critique</li> <li>• Leadership qualities</li> </ul>
1.5	Diversity	The Group diversity framework and policy is taken into account in making Board appointments. It is recognised that the different perspectives diversity brings promotes better decision-making and more effective Board performance.
1.6	Selection criteria	Draft selection criteria are to be developed for potential Board candidates, having regard to the above assessment and the policy for a majority of independent directors (see section 2 below).
1.7	Search process	The Board may generate a list of candidates, or use the services of an executive search firm to develop a list. An executive search firm may also be used to assess the appropriateness of candidates.
1.8	Selection process	Candidates are to be measured against the selection criteria and their availability to commit sufficient time to the role and an order of preference is to be agreed. The chair or search firm is to approach the selected candidates.
1.9	Appointment	If the appointment is between general meetings, the agreed candidate is to be appointed by the Board to fill a casual vacancy or as an addition to the Board. In accordance with the constitution of the Bank, the director then holds office until the next annual general meeting and is eligible for election at that meeting.

1.10 Re-election	<p>An assessment and decision in relation to re-nomination is to be made, having regard to the following:</p> <ul style="list-style-type: none"> <li>• The skills, knowledge, experience and attributes necessary to deliver the strategy of the Group.</li> <li>• The skills, knowledge and experience of the current directors (including retiring directors and those seeking re-election).</li> <li>• Diversity of the Board.</li> <li>• The statement provided by the director seeking re-election supporting their re-election.</li> </ul> <p>The outcome of this assessment is to be included in the notice of meeting at which the retiring director seeks re-election.</p>
1.11 Induction	<p>All new directors undertake an induction program to familiarise Directors with the Group's business and strategy.</p> <p>The program is structured to ensure that new directors are introduced to management and the business and that all directors are acquainted with relevant industry knowledge.</p> <p>This includes a directors' manual containing information about corporate governance policies and the business of the Company along with one-on-one meetings with executives and senior management and visits to selected business and administrative premises.</p>

## 2. Director independence

2.1 Independence	<p>An independent director is a non-executive director who is free from any business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or adviser – that could materially interfere with the exercise of their independent judgment.</p>
2.2 Assessment	<p>Independence is to be assessed before appointment, then annually, and whenever an independent director's circumstances change in a manner that may affect their status as an independent director.</p> <p>An assessment is to be made for each director, including having regard to each of the factors set out below and any other factors set under APRA prudential standards or ASX Corporate Governance Council Principles and Recommendations.</p> <ol style="list-style-type: none"> <li>1. The director is not a substantial shareholder<sup>1</sup> of the Bank or an officer of, or otherwise associated directly with, a substantial shareholder of the Bank.</li> <li>2. The director is not employed and has not been previously employed in an executive capacity by the Bank or another Group member, unless a period of at least three years has elapsed between ceasing such employment and serving on the Board.</li> <li>3. The director is not, and within the last three years has not been, a partner, director or senior employee of a provider of material<sup>2</sup> professional services or a material consultant to the Bank or another Group member.</li> </ol>

<sup>1</sup> A "substantial shareholder" is a person with a substantial holding as defined in section 9 of the Corporations Act.

<sup>2</sup> Materiality is assessed by reference to AASB 1031.

	<p>4. The director is not, and within the last three years has not been, in a material business relationship, including as a supplier or customer, with the Bank or other Group member, or an officer of or otherwise associated directly or indirectly with someone with such a relationship.</p> <p>5. The director has no material contractual relationship with the Bank or another Group member other than as a director.</p> <p>6. The director has no close family ties with any person within any of the categories described above.</p> <p>7. The director has not been a director of the Bank for such a period that his or her independence may have been compromised.</p>
2.3 APRA guidance	If there is doubt regarding a director's independence, the matter will be referred to APRA for guidance.
2.4 Disclosure of relevant circumstances	The circumstances relevant to assessment of a director's status as an independent director, and their status as an independent director will be disclosed in the Bank's Corporate Governance Statement.
2.5 Chair	<p>The Chair and Deputy Chair (if appointed) are to be independent directors. There is to be a separation between the role of the Managing Director and Chair.</p> <p>There is to be a gap of at least three years from when a person stopped being a Managing Director before the person can become the Chair.</p>

### 3. Board renewal

3.1 Succession planning	<p>With assistance from the Governance and HR Committee the Board is to conduct regular reviews of the composition of the Board and the skills, knowledge and experience on the Board and undertake succession planning, with a view to a progressive and orderly renewal of the Board.</p> <p>This includes succession planning for the Chair</p>
3.2 Tenure	<p>Board members should have a mix of tenure, for ongoing renewal and to avoid a number of directors retiring at the same time. The Board takes the view that having regard to the complexities of the financial services and banking industry, the development of expertise and knowledge of the industry and specifically of the Group takes time.</p> <p>Also, having regard to the long-term strategy to build a sustainable business, corporate memory is important and there is a benefit in Board continuity across economic cycles.</p>

### 4. Board performance assessment

4.1 Annual assessment	<p>An annual performance assessment is made of the Board and individual directors. The assessments involve consideration of performance against the charter as well as goals and objectives previously set by the Board.</p> <p><u>Internal:</u> The Board conducts an annual assessment of the performance of the Board, led by the Chair, and of the Chair, led by a non-executive director nominated by the Board.</p>
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The Chair, on behalf of the Board, conducts reviews with each director for individual director performance reviews and provides feedback on individual performance.

External: An external consultant may be engaged, and must be engaged at least every three years. The external consultant leads the reviews and provides feedback to individual directors on individual director performance, to the Chair on individual director and Chair performance, and to the Board on Board performance and Chair performance. This is to include a written report summarising the results, issues for discussion and recommendations for continuous improvement initiatives for consideration by the Board.

Continuous improvement: Areas for continuous improvement identified through an internal or external review and agreed by the Board are to be documented and taken forward for action as agreed, with progress tracked quarterly through Secretariat reports.

4.2 Committees	<p>A performance assessment is completed for Board committees annually. The assessment involves consideration of performance against the charter as well as goals and objectives previously set by the Committee.</p> <p>The chair of each committee discusses committee performance with the members of the committee and agrees continuous improvement changes to action. The committee chair then outlines the results in a Board meeting, which are discussed by the Board, including changes the committee has agreed for continuous improvement, , with progress tracked quarterly through the Committee, with written progress updates provided by the Secretary following discussion with the committee chair.</p>
4.3 Subsidiary boards	<p>Subsidiary boards that are subject to the prudential regulatory requirements of APRA are responsible for conducting annual performance reviews of the board and directors.</p>

## 5. Non-executive director remuneration

5.1 Objectives	<p>The objectives of non-executive director remuneration are as follows.</p> <ul style="list-style-type: none"> <li>• To attract and retain appropriately qualified and experienced directors.</li> <li>• To remunerate directors fairly having regard to their responsibilities, including providing leadership and guidance to management.</li> <li>• To build sustainable shareholder value by encouraging a longer-term strategic perspective.</li> </ul>
5.2 Components	<p>Non-executive directors receive a base fee which is reviewed annually with reference to survey data and peer analysis. The chair receives a larger annual base fee in recognition of the additional time commitment and responsibilities.</p> <p>Non-executive directors do not receive additional fees for committee memberships.</p> <p>The Board may decide to pay additional fees for subsidiary, joint venture and alliance appointments.</p>

## 6. Subsidiary, joint venture and alliance boards

6.1 Appointment	<p>With assistance from the Governance and HR committee, the Board is responsible for the appointment of directors to the boards of APRA-regulated subsidiaries. The term of appointment is at the discretion of the Board.</p> <p>The Managing Director is responsible for appointments to other subsidiaries, and any directors appointed by the Bank to joint ventures and alliances.</p>
6.2 Criteria	<p>In making an appointment or nomination, the Board (or the Managing Director, as the case may be) has regard to the following:</p> <ul style="list-style-type: none"> <li>• The collective skills, knowledge, experience and attributes necessary to deliver the business objectives of the subsidiary, joint venture or alliance, having regard to the role and relationship of the subsidiary, joint venture or alliance to the Bank, its strategic priorities and any regulatory requirements.</li> <li>• The skills, knowledge, experience and attributes of current directors.</li> <li>• Any skills, knowledge and experience not adequately represented by current directors.</li> </ul> <p>The Board (or Managing Director) also takes into account diversity of thinking.</p>

## GOVERNANCE

### RESPONSIBILITIES

Role	Responsibilities
<b>Company Secretary</b>	The company secretary is responsible for assisting the chair and Board in implementing the requirements set out in this policy.
<b>Governance &amp; HR Committee</b>	<p>The Governance and HR Committee is responsible for making recommendations to the board for decision on the above, including:</p> <ul style="list-style-type: none"> <li>• Board appointments and the re-election of directors.</li> <li>• APRA-regulated subsidiary board appointments.</li> <li>• Performance assessment.</li> <li>• Non-executive director remuneration.</li> </ul>
<b>Managing Director</b>	The Managing Director appoints directors of non-APRA-regulated subsidiaries and any directors appointed by the Bank for joint ventures and alliances.
<b>Board</b>	The Board is responsible for reviewing and deciding on the matters referred by the Governance and HR Committee as specified in this policy.

## RELATED DOCUMENTS

Related documents which should be read in conjunction with this policy include:

- Banking Executive Accountability Regime Policy
- Board Charter
- Board Committee Charters
- Committee Procedural Rules
- Responsible Person Policy

## DEFINITIONS

<b>Bank</b>	Bendigo and Adelaide Bank Limited
<b>Board</b>	The Board of Bendigo and Adelaide Bank Limited
<b>Group</b>	Bendigo and Adelaide Bank Limited and its controlled entities.

## DOCUMENT CONTROL TABLE

Version No.	Approved by:	Date approved:	Date applicable:	Next review date:	Document owner:
1.1	Board	March 2010	March 2010	2011	Secretariat
1.2	Board	March 2011	March 2011	2013	Secretariat
1.3	Board	December 2013	December 2013	2014	Secretariat
1.4	Board	April 2014	April 2014	2015	Secretariat
1.5	Board	July 2015	July 2015	2017	Secretariat
1.6	Board	May 2017	May 2017	2018	Secretariat
1.7	Board	May 2018	May 2018	2020	Secretariat
1.8	Board	May 2019	May 2019	2020	Secretariat