

## Group Sanctions Policy Statement

Sanctions are defined as measures not involving the use of armed force imposed in situations of international concern that impose restrictions on activities that relate to particular countries, goods and services, or persons and entities. Sanctions are generally imposed due to concerns related to the repression of human rights and democratic freedoms of a population by a government, or the proliferation of weapons of mass destruction or their means of delivery, or internal or international armed conflict.

The United Nations (UN) Security Council imposes sanctions which all UN member states are obliged to implement domestically. Australia implements its obligations under UN law through the *Charter of the United Nations Act 1945 (COTUNA)* and the *Suppression of Financing of Terrorism Act 2002 (Cth)*.

UN Security Council sanctions requirements can include arms embargoes, travel sanctions, financial restrictions, civil aviation restrictions and import/export bans of certain commodities. Sanctions are also imposed against designated persons and may also include downgrading or suspension of diplomatic ties.

In addition, countries, including Australia, also impose their own autonomous sanctions programs in support of their foreign policy objectives and obligations. The sanction laws of multiple countries may apply to a single transaction facilitated by the Group. Sanctions regimes may be subject to frequent and somewhat sudden change. They can also be imposed at any time by any country, international organisation, or supranational body, and in general the effect is immediate.

The Group's corporate values, as per the *Code of Conduct*, include a commitment to strong standards of integrity, ethics, and conduct. As such, the Group is committed to compliance with its obligations under the *Charter of the United Nations Act 1945 (COTUNA)*, Australian autonomous sanction programs and relevant economic and trade sanction laws in countries through which services are facilitated.

Effective management of sanctions risk is therefore fundamental to the Group's purpose and wellbeing for our customers, employees, partners, and communities. A clear, transparent, and risk-based corporate policy in relation to sanctions articulates this commitment into a group-wide framework to identify, mitigate, and manage the risk(s) of sanctions. Under the Group's risk-based framework, the Board of Directors sets the risk appetite, oversees the establishment of robust business-wide risk management policies and procedures and defines risk limits to guide risk-taking within the Group.

### Group Sanctions Policy Objectives

The objective of Group's *Sanctions* Policy is to set out:

- The Group's formal approach for the identification, treatment and management of the *Sanctions* risks;
- The compliance obligations and expectations within the *Group* associated with *Sanctions* risks;
- The roles and responsibilities of the *Three Lines of Defence* in managing the *Sanctions* and compliance obligations and associated compliance risks which is an important element in establishing and maintaining a strong compliance culture.

### The Groups Sanctions Policy Principles

The Group *Sanctions* Policy is to set out the minimum expectations, and principles applicable to the *Group* and a framework which manages and seeks to mitigate the associated risks of *sanctions* that the *Group* may reasonably face. Additionally, the purpose of this *Sanctions* Policy is to clearly state the *Group's* position in relation to a commitment to compliance with sanctions programs, and to identify, mitigate, and manage any sanctions risks whilst providing guidance

about the meaning of sanctions, and consequences of failing to comply with this Sanctions Policy.

The *Sanctions Policy* applies to Bendigo and Adelaide Bank Limited (*BEN*) and its controlled entities (collectively; the '*Group*'), its directors (executive and non-executive), *employees*, *Authorised Representatives*, *Community Bank companies* *third party suppliers* and third parties acting for or on behalf of the *Group*. This Policy covers any activity or behaviour undertaken during the course of, or in connection with, employment or acting on behalf of the *Group*, regardless of the geographical location (whether foreign or domestic) in which that activity or behaviours occurs. Those parties that this Policy applies to hereafter are referred to as the "*Applicable Parties*".

The Sanctions Policy is reviewed on a regular basis by Financial Crime Risk (*FCR*) and the Head of *Group* Financial Crime Risk & MLRO who is the *Group's* nominated *Sanctions Officer*.

The *Group* has established a robust Sanctions Compliance Program which enables the *Group* and its *Applicable Parties* to identify, mitigate, and manage any potential sanctions risk(s) it may reasonably face whilst maintaining compliance with Australian and international sanctions laws.

The *Group* undertakes regular risk assessments to identify the *Sanctions* risks that the *Group* may reasonably face.

The following key principles govern the *Group's* approach to sanctions:

- The *Group* complies with the requirements of the Australian sanctions laws.
- The *Group* complies with non-Australian sanctions programs where they are applicable to the *Group* based on the service(s) provided. For example; a payment in *US Dollars* will be processed via the *US* financial system and will therefore be subject to the *US* sanctions programs.
- Without limiting the above, the *Group* will comply with non-Australian sanctions programs related to comprehensively sanctioned countries and designated persons, entities, or equivalent issued by:
  - the United States (i.e., Office of Foreign Asset Control (*OFAC*));
  - the European Union (*EU*); and
  - the United Kingdom (*UK*).
- Products and services may not be offered where the sanctions risk has been assessed as being outside of the *Group's* risk appetite.
- The *Group* does not permit the establishment of *Correspondent Banking* relationships with a *Shell Bank* or with a *Correspondent Bank* that holds a relationship with a *Shell Bank*.
- The *Group* does not permit the establishment of a *Correspondent Banking* relationship that involves a *downstream (or nested)* service to another financial institution.
- The *Group* does not offer *payable through accounts* as a client of a *Correspondent Bank*.
- Third party *remittance services* and *digital currency* exchanges represent a higher sanctions risk. The *Group* does not in the ordinary course of business provide foreign exchange or international transfer services to remittance providers or *digital currency* exchanges, except where appropriate controls may be implemented, and approval has been provided by the Head of *Group* Financial Crime Risk and relevant Business Unit Head proposing to establish the relationship.
- The *Group* will apply appropriate due diligence over the following key areas that may present sanctions risks:
  - Customers;
  - Shareholders;
  - Payments;
  - Trade Finance; and
  - Third Parties.
- The *Group* will not engage in any activity involving the structuring of transactions for the states or apparent purpose of avoiding sanctions prohibitions or restrictions (e.g., removal, obscuring, or otherwise modifying payment messages to misrepresent the parties and countries involved). If the *Group* has concerns as to whether or not a transaction or financial service may be used to avoid, circumvent, or conceal activity that

may breach sanctions prohibitions, it will consult with Group Legal and/or relevant government agencies.

- The *Group* will provide staff with the appropriate training to support the Sanctions Policy principle, requirements, and the *Group's* sanctions compliance program outlined in this Policy.
- The *Group* will review and assess any breach of a sanctions regimes and meet applicable obligations to report to the appropriate authority in a timely manner and in accordance with the law. The *Group* is committed to cooperating with regulatory and law enforcement bodies. A breach must be reported following the *Group Operational Risk Management Framework*.

## **Compliance and Disciplinary Action**

Non-compliance with the Group Sanctions Policy will be treated seriously and, where applicable, can be subject to disciplinary action including the potential termination of employment.

Any staff member who knowingly or recklessly breaches the Sanctions Policy and associated supporting standards and procedures can be subject to disciplinary action.

If required, steps will be taken to comply with any law that requires such matters to be reported to a law enforcement agency. The Group will, as required by law, cooperate with any law enforcement agency responsible for investigating or enforcing any sanction programs.