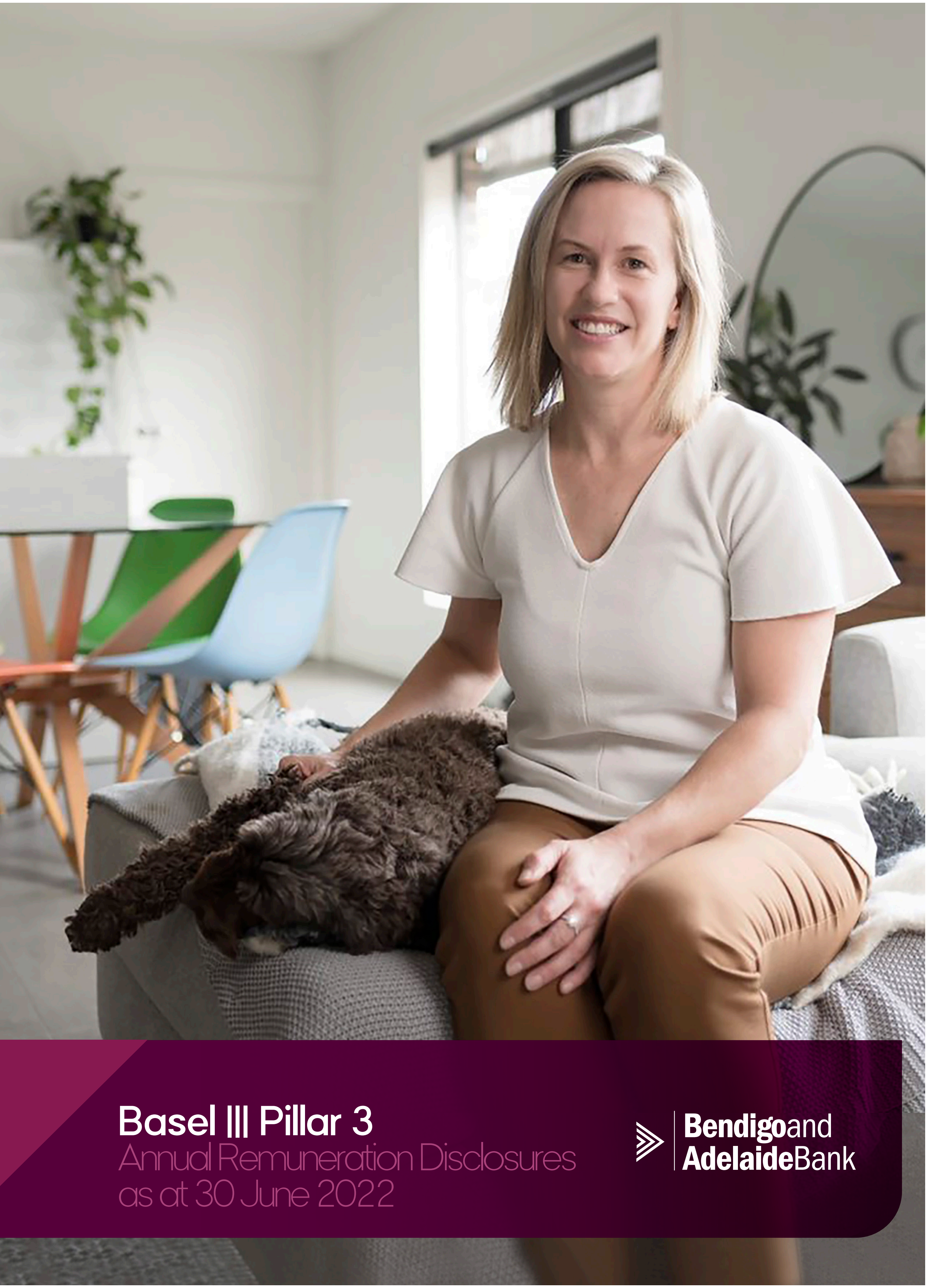

Basel III Pillar 3

Annual Remuneration Disclosures
as at 30 June 2022

Bendigo and Adelaide Bank

Bendigo and Adelaide Bank Limited Basel III Pillar 3

Annual Remuneration Disclosures as at 30 June 2022

The remuneration disclosure has been prepared in accordance with Australian Prudential Regulatory Authority's (APRA's) remuneration requirements as set out in prudential standard APS 330 Public Disclosure with reference to the requirements established under CPS510 Governance and the Bendigo and Adelaide Bank Limited ("Bank")[1] remuneration policy.

The disclosure is separate to the statutory financial reporting disclosures presented in the Bank's 2022 Remuneration Report which relates to Key Management Personnel ("KMP") only. The following qualitative disclosure relates to the employees covered by the Group Remuneration Policy and includes those Bank employees who have been identified as Senior Managers and Material Risk Takers (MRTs).

The Board has approved a Group Remuneration Policy ("Remuneration Policy") which applies to all employees of the Bank and its controlled entities ("Group") including Senior Managers, Risk and Financial Control Personnel and MRTs.

Senior Managers are defined under the Bank's Responsible Person Policy and comprise all members of the Group's executive committee and one other key designated role.

MRTs are additional management personnel who have a significant portion of performance-based remuneration and whose activities, individually or collectively, may affect the financial soundness of the Group. The MRT definition is currently being reviewed as part of CPS511 regulatory updates. There were no material risk takers for the 2022 and 2021 financial years.

1. Remuneration governance

During the year, the Board established a new Committee, the People, Culture and Transformation Committee, which took on the responsibilities of the Governance and HR Committee and some aspects of the Technology Committee.

The People, Culture and Transformation Committee ("Committee") assists the Board in relation to the remuneration arrangements for the Group.

The Committee met eight times during the year and its membership comprises four independent non-executive directors, including the Chair. In addition, there was a joint sitting of the Risk, Audit and Financial Risk Committees, which occurred as part of the August Board meeting.

The Committee members receive a fixed base Board fee and additional fees are paid for serving on the committee. The Bank paid 77% ($1.92m) of the aggregate fee pool during FY22 compared to 73% ($1.82m) in FY21. This includes fees for the Community Bank National Council and Sandhurst Trustees.

Non-executive Directors fees are inclusive of superannuation contributions at 10 percent. In relation to the superannuation contributions, Non-executive Directors can elect to receive amounts above the maximum contributions limit as cash.

The Directors, including the Managing Director, contribute $5,000 each to the Bank's scholarship program. The program was established to assist disadvantaged students from regional areas meet tertiary education accommodation and direct study costs. The contributions are deducted from Base Board fee payments.

The following table shows the annual fees in FY22 for the Board and committees (inclusive of company superannuation contributions).

Board/Committee	Fee (up until 31 December 2021)		Fee (from 1 January 2022)	
	Chair[1]	Member	Chair[1]	Member
Board	$479,230	$201,780	$479,230	$165,000
Committees	N/A	N/A	$30,000	$20,000

1. Chair fees are all inclusive i.e. a separate committee member fee is not paid.

[1] The Bank has no foreign subsidiaries or branches.

The Committee's charter sets out its remuneration related responsibilities. A summary of the Committee's remuneration responsibilities is presented below and the charter is available from the Bank's website.

The Committee's remuneration responsibilities include reviewing and making recommendations to the Board on the remuneration framework and policy. The Committee is also responsible for making recommendations to the Board on:

a. The annual remuneration arrangements and reward outcomes for Senior Managers and MRTs;
b. The remuneration parameters for risk and financial control personnel;
c. Grants of equity-based remuneration including the terms on which the grants will be offered;
d. The pool of funds available for the payment of annual short-term incentives and bonuses; and
e. Any proposal for a sign-on, retention or termination payment to a Senior Manager or MRT.

The Committee's responsibilities also include making recommendations to the Board on adjustments to variable remuneration components to reflect actual business performance and the management of risk.

The Committee may consult a professional adviser or expert, at the cost of the Bank, if the Committee considers it necessary to carry out its duties and responsibilities.

No remuneration recommendations were obtained from external consultants during the reporting period.

2. Remuneration Policy, Strategy, design and structure

The remuneration policy adopted by the Bank provides the framework for the implementation, assessment and maintenance of the Bank's remuneration strategy and arrangements. . The framework is structured to attract, retain and motivate employees to achieve the organisation's objectives within the approved risk appetite.

The guiding principles for the FY2022 remuneration framework are:

Remuneration Principles

Simplicity	Transparency	Alignment with Values	Appropriate Risk Behaviour	Good customer Outcomes
The link between performance, value created, and reward should be clear and the framework easy for all employees to understand so that it effectively attracts, retains and motivates the talent the organisation needs to deliver long term sustainable success.	The Bank commits to providing employees with visibility wherever possible of the considerations made in making reward decisions and fairly undertaking all performance and reward processes to support the objective of fair remuneration. This includes addressing, when necessary, gender pay equity.	Remuneration should reinforce the corporate values of teamwork, integrity, performance, engagement, leadership and passion. Individual reward outcomes are first dependent on the success of the Bank, Division and team.	Remuneration should encourage innovation and prudent risk taking that supports the achievement of superior long-term results for shareholders and customers and supports the risk management framework of the Bank.	Reward structures and practices will be designed to minimise the risk of incentivising behaviours that may lead to poor customer outcomes whilst encouraging the right behaviours, at the right time for great customer experiences.

The Committee reviews the ongoing compliance, appropriateness, and relevance of the Banks remuneration policy regularly. A review of the remuneration policy was last undertaken earlier in the year with additional changes anticipated with the application of the APRA Prudential Standard on Remuneration (CPS 511) and Financial Accountability Regime (FAR) in 2023

The Remuneration Policy sets out the remuneration objectives and structure of remuneration arrangements including, but not limited to:

a. The components of remuneration available to employees and the processes and responsibilities for reviewing and approving these arrangements;
b. The maximum indicative settings, as a percentage of total remuneration, for variable remuneration;
c. The remuneration framework and supporting approval responsibilities and processes that apply to risk and financial control personnel;
d. Participation in variable remuneration plans including grant terms and approval arrangements;
e. The performance measures and approval arrangements for establishing an annual bonus pool;
f. The responsibilities, parameters and criteria for allocating the annual bonus pool at a divisional and individual level:
g. The Board discretions to adjust variable remuneration for business and risk outcomes with our consequence management framework and Clawback and Malus policy;
h. Hedging restrictions applicable to equity remuneration components; and,
i. Sign-on, retention and termination payments.

FY2022 remuneration structure:

The key elements of remuneration for most employees are fixed remuneration and performance-based remuneration. The mix of remuneration elements (both fixed and variable) for Bank employees varies depending on the employee's role and level. The remuneration mix is designed to be market competitive, while providing the appropriate performance focus for their role. The following outlines the Banks's key remuneration components.

a. Base remuneration

Fixed base remuneration: provided as cash (includes any salary sacrifice arrangements and Company superannuation).

Deferred base remuneration: For the Managing Director only. This component has been realigned to Base Remuneration for executives and other participants.

The deferred shares are held on trust for a two-to-five-year deferral period. Deferred shares are fully paid ordinary shares granted at no cost and are beneficially owned by the recipient from grant date. The grants are subject to an ongoing service condition and risk adjustment at the discretion of the Board.

b. Variable remuneration

The Bank offers variable remuneration to eligible employees in the form of short term and long-term incentives.

The mix and value of variable remuneration varies depending on the nature of the participant's role and responsibilities and their ability to influence the Bank's performance and financial standing.

Short-term incentive (STI): provided as cash (or combination of cash and shares where a specified threshold is exceeded) under the Group Bonus plan for salaried staff. STI was not provided to the executive during the reporting period.

The Group Bonus is designed to drive and reward short to medium term results whilst reflecting the level and time horizon of risk. Group Bonus awards require the achievement of financial and non-financial metrics at an organisational, divisional and individual level. The metrics are set at the start of each financial year.

Bonuses under the Group Bonus plan are decided after the end of the financial year and are approved by the Board on the recommendation of the Committee.

STI awards for salaried employees are in the form of an annual discretionary bonus (Group Bonus). The bonus parameters are set by the executive committee and individual awards are determined by the line manager.

To receive an STI award the employee must demonstrate satisfactory values-based behaviour, risk and compliance management as well as meet performance and contribution objectives.

Long-term incentive: is provided in two parts to members of the executive committee and other senior managers as determined by the Board.

  a. Loan Funded Share Plan; and
  b. Performance Rights plan.

The long term incentive is discretionary remuneration designed to drive and reward longer term growth and sustained shareholder value.

The Loan Funded Share plan is a non-recourse interest free loan provided to acquire shares. A performance right represents a right to one fully-paid ordinary share and is issued at no cost and a nil exercise price.

Vesting is subject to the achievement of performance measures outlined in Section 4. The grants are also subject to a service condition.

The Board decides the conditions that apply to each grant. The criteria used in setting the grant terms and conditions include:

a. The long term creation of shareholder value.
b. The delivery of the long-term objectives and outcomes to maintain a financially sound and successful institution.
c. Effective risk stewardship.
d. Retention of personnel critical to achieving targeted business outcomes.

Individuals who may be invited to participate in the plan include employees who:

a. Are in a role which involves the leadership of a key organisational competency or governance requirement: and/or
b. Are in a role that has a direct linkage to the long term strategic success of the business; and/or
c. Are high performing with the potential to contribute even further to the organisation in a strategic and/or leadership capacity in the future; and
d. Whose values and behaviours strongly align with the organisation's corporate values.

Risk and financial control personnel

The following arrangements have been established to ensure risk and financial control personnel are remunerated independently of the business they oversee:

a. The Board sets the parameters for the annual review of fixed and variable remuneration, having regard to the recommendation of the Committee.
b. Base remuneration and Group Bonus awards are determined by the function's line manager within Board approved parameters and are subject to a two-up manager approval process. The remuneration is also confirmed by the Chief Risk Officer to ensure the independence of the staff and functions are not compromised.
c. Variable remuneration is capped at a level that should not promote inappropriate behaviour.
d. The performance objectives and individual Group Bonus awards are aligned with organisational performance and the responsibilities and performance of the relevant risk or financial control function.

3. Remuneration and risk

The Board is responsible for the risk management strategy which includes approving the risk management framework and risk appetite within which the business operates.

All material risks are managed within a risk appetite linked to our strategy, planning framework and business objectives. The risk appetite is defined using quantitative and qualitative measures for the major risk categories of credit risk, interest rate risk in the banking book, traded market risk, liquidity risk, operational risk and strategic risk.

The Board, including through its risk and financial risk committees, closely monitors the Group's risk profile against the approved risk appetite and risk management framework.

The remuneration structures are designed to support the risk management framework. This is achieved by aligning remuneration outcomes with risk outcomes, staff behaviour and the financial soundness of the organisation.

The Board has adopted a relatively conservative approach to remuneration. In particular, the proportion of incentive-based pay is relatively low when compared to other listed entities in Australia, especially in the banking sector.

The STI links a modest percentage of remuneration to annual financial and business performance and is subject to passing a risk, compliance and values gateway.

The reward mix for executives includes two equity components designed to build executives' personal exposure to the Bank's share price performance. The equity components are also directly linked to risk management outcomes as discussed below.

This mix reflects our long-held view that remuneration which is highly leveraged towards short-term performance can create a disconnect between executive reward and longer-term shareholder interests, customer outcomes and broader community and regulatory expectations.

The Board has absolute discretion, having regard to a recommendation by the Committee, to adjust variable remuneration to reflect the outcomes of business activities and the risks related to those activities.

This includes adjusting variable based remuneration downwards, to zero if appropriate, if such adjustments are necessary to protect the financial soundness of the Group and/or to respond to significant unexpected or unintended consequences that were not foreseen by the Board.

The Board will take into account compliance with the risk management framework including regulatory and policy requirements in deciding if an adjustment for risk is required.

In making its decision the Board considers the outcomes of the risk management declaration program along with the recommendations of the Risk, Audit and Financial Risk Committees which held a joint meeting with the People, Culture and Transformation Committee. The Chief Risk Officer also provides his perspectives on the risk performance of individual executives.

The payment of Group Bonus awards is subject to the establishment of an annual bonus pool. The Board decides the annual bonus pool and in exercising this discretion it has regard to the following:

a. Financial measures: This includes the annual cash earnings and return on equity performance.
b. Risk measures: The pool will be adjusted to reflect the types and levels of risk involved in the performance and the overall risk profile.

Consideration is given to specific risks, including:

a. The business mix which contributes to the cash earnings result compared to the targeted business mix;
b. Risk-adjusted return on capital (RAROC) / economic profit;
c. Key prudential and financial ratios;
d. Performance in relation to risk, compliance and audit matters;
e. Material adverse customer outcomes; and
f. Performance on strategic programs and employee engagement measures.

The Board also applies a qualitative overlay to take into account the underlying performance of the business and shareholder interests.

As part of the internal performance and development process, risk goals and performance measures are set for general salaried staff as applicable to their role. The risk goals are structured on several levels comprising senior management, branch / line management and other salaried employees. An individual's progress in achieving the risk goals is monitored and assessed by their line manager.

Notwithstanding the performance of the business, and the individual's contribution and performance, if the individual, team or Group does not meet or only partially meets risk and compliance requirements, no award or a reduced award will be made.

4. Linking remuneration and performance

The following arrangements are designed to link remuneration outcomes with organisational performance:

Fixed base: The fixed base is designed to recognise an individual's experience, skills, competencies and responsibilities. The fixed base remuneration for all salaried employees is reviewed annually having regard to market relativities and the Group's financial outlook.

Short-term incentive ("STI"): STI awards under the Group Bonus plan, link a component of remuneration to the achievement of annual financial and business goals, taking into account risk management and compliance outcomes, and an individual's contribution to longer term growth and performance.

Bonus awards are only paid if the Board establishes a group bonus pool. The conditions for the establishment of a group bonus pool are determined by the Board at the start of each year. The conditions typically require the achievement of a minimum level of financial performance before a bonus pool is established, above which the pool increases in line with the level of outperformance above the minimum level.

Financial and risk measures are the main criteria used by the Board to determine the annual bonus pool allocation, with funding primarily based on:

a. A threshold hurdle requiring the achievement of 95% of the targeted cash earnings for the financial year; and
b. A maximum potential bonus pool allocation based on 110% of the targeted cash earnings result.

The Board decides the amount of the bonus pool after financial year-end, on recommendation from the People, Culture and Transformation Committee.

The allocation of the bonus pool at a divisional level is decided by the Managing Director having regard to the following:

a. The division's contribution to Group earnings with consideration to the level of risk assumed.
b. The division's progress towards the achievement of key strategic initiatives.
c. In the case of a business unit, an assessment of risk management and compliance by the unit.
d. In the case of a support function, an assessment of the contribution to risk management and compliance by the support function.

Individual performance is assessed after each year end. The following performance and contribution criteria are used in determining individual incentive awards:

a. Group financial and strategic performance including cash earnings, RAROC and customer advocacy.
b. Business unit financial and strategic performance including earnings contribution, RAROC, customer advocacy and new initiatives.
c. Individual contribution to team performance as assessed through the Group performance and development process.
d. Individual performance, including alignment with corporate values, the code of conduct and meeting performance objectives as assessed as part of the internal performance and development process.
e. Contribution to meeting risk and compliance requirements at Group, team and individual level which is assessed as part of the internal performance and development process.

Long-term incentive: The long-term incentive is designed to link reward with key performance measures that underpin sustainable longer-term growth in shareholder value.

The Loan Funded Share Plan is subject to three key strategic business measures, namely Cost to Income Ratio, Market Share Growth and Customer Advocacy which are measured after 2-years. Any vested shares are then restricted and tested for a further 2-years against risk gateway outcomes. Once the final vesting is determined by the Board, participants have a further 2-years to pay off the remainder of the loan. Dividends are received for the duration of the loan and contribute to payment of loan attributed to each strategic measure.

Performance Rights grants are issued subject to a service condition and the achievement of market relative total shareholder return ("TSR") hurdles.

The relative TSR measures are tested over a four-year performance period.

Adjusting remuneration for performance

The Board has discretion to fully or partially forfeit deferred base equity awards during the deferral periods. The deferred equity component enables the Board to adjust the value of base remuneration for unforeseen performance or risk outcomes identified by the end of the deferral period.

The Remuneration policy for any Group Bonus awards is that one third of the awards of $100,000 or more are deferred into shares in the Bank which are held in trust for two years. The Board has discretion to fully or partially forfeit the deferred short term incentive awards during the deferral period to reflect any unforeseen performance or risk outcomes identified during the deferral period.

The loan funded share grants are deferred over a 4-year period that includes the 2-year performance period and ongoing risk assessment and gateway.

The performance right grants are deferred over a 4-year performance period for the executive and other senior managers.

The Board may adjust the number of performance rights that vest at the end of the performance period to take into account poor performance including any unforeseen circumstances or risk outcomes. The Board will also apply the Risk Consequence and Management framework alongside the Clawback and Malus policy to determine any appropriate and timely adjustments to reward outcomes.

5. Quantitative Disclosures: Senior Managers

The following quantitative disclosures are provided in accordance with Prudential Standard APS 330: Public Disclosures. Senior Managers comprise all members of the executive committee and other roles identified under the Responsible Persons Policy.

Table A: Remuneration awarded during FY2022

The table below summarises the various payments made to senior managers during FY2022.

Item	FY2022	FY2021
Number of senior managers who received variable remuneration	Short Term Incentive: 1 Long Term Incentive: 9	Short Term Incentive: 1 Long Term Incentive: 8
Number of senior managers who received variable remuneration	10	9
Number of guaranteed bonuses awarded	-	-
Value of guaranteed bonuses awarded	$ -	$ -
Number of sign-on awards	1	-
Value of sign-on awards	$600,000	$ -
Number of termination payments	-	1
Value of termination payments	$ -	$12,710

Table B: Total value of remuneration awards

The table below provides the total amount of remuneration awarded to senior managers during FY2022.

Remuneration element	FY2022 $'000	FY2021 $'000
Base remuneration[1]		
• Cash based (non-deferred)[2]	$6,301	$6,318
• Shares and share linked instruments[3]	$233	$728
• Other[4]	($123)	($69)
Variable Remuneration		
• Cash-based[5]	$15	$4
• Shares and share linked instruments[6]	$1,807	$1,170
• Other	-	-

[1] The remuneration details relate to the individuals who held Senior Manager roles both during and as at the end of the financial year. The details for individuals who held Senior Manager roles for part of the year have been pro-rated.

[2] The amounts represent base salary, employer superannuation contributions, any cash allowances and salary sacrifice payments.

[3] The amounts represent the fair value of annual deferred base pay grants amortised over the two-year deferral period.

[4] This comprises annual leave and long service leave entitlements accrued but not taken during the financial year.

[5] This represents the cash component of Group Bonus awards accrued but not paid in respect to the financial year. The awards are paid to the Senior Managers after the financial year end. One-third of the STI awards of $100,000 or greater are deferred for two years into shares in the Bank.

[6] This represents the fair value of performance right and loan funded share grants amortised over the applicable 4-year performance periods and the fair value STI deferred share grants amortised over the 2-year deferral period and any other equity-based awards where applicable.

Table C: Outstanding, vested and forfeited deferred remuneration

This table provides the total amount of outstanding, vested and forfeited deferred remuneration and any implicit and explicit adjustments made during 2022.

Remuneration element	FY2022 $'000	FY2021 $'000
Total amount of outstanding deferred remuneration[1]	$6,980	$1,898
Total amount of deferred remuneration which vested[2]	$676	$940
Total amount of reductions due to explicit adjustments[3]	$739	$380
Total amount of reductions due to implicit adjustments[4]	($3,173)	$6,418

[1] The amounts represent the value of deferred share, loan funded share and performance right grants that are still subject to the relevant deferral or performance period and will be tested in future periods and the value of deferred share and performance right grants that had completed the deferral or performance period but had not been tested and released as at the end of the financial year. The amounts have been calculated using the accounting fair values.

[2] The amounts represent the value of deferred shares that had vested and were released during the year and the value of ordinary shares, allocated in respect to vested and exercised performance rights, that were released during the year. The amounts have been calculated using a volume weighted average closing price of the Bank's shares at release date.

[3] The amounts represent the value of deferred share and performance right grants that were forfeited and expired during the financial year due to a failure to meet the required performance hurdles or service conditions. The value is calculated using the closing price of the Bank's ordinary shares on the forfeiture or lapsing date.

[4] This includes any decreases to the value of the outstanding awards due to down movements in the Bank's share price during the year, noting that in 2022 there was a decrease in value.

About our front cover

This year's cover page features Bendigo Bank customer Nicole Davenport.

Nicole and her family have acquired a new home with the assistance of the Bank and the Victorian Homebuyer Fund.

Bendigo and Adelaide Bank, in conjunction with the Victorian State Government scheme and the Federal Government's First Home Loan Deposit Scheme, have now helped more than 3000 customers achieve their dream of home ownership.

Nicole takes comfort in the security that comes from home ownership and the certainty that comes from putting down roots in a community she knows. She also enjoys the freedom to decorate her home in a way that she, her family and her dog Coco love.

Bendigo and Adelaide Bank's purpose is to feed into the prosperity of the community, not off it, and stories like Nicole's are a good reminder of the important role we play, helping more than a million Australians become homeowners since 1858.

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The better big bank

Corporate Governance Statement 2022
Bendigo and Adelaide Bank Limited
ABN 11 068 049 178