



# Corporate Governance

2019



**Bendigo and  
Adelaide Bank**



*“A STRONG, COMPETITIVE AND FAIR BANKING SYSTEM IS ESSENTIAL FOR ALL AUSTRALIANS AND FOR A ROBUST AUSTRALIAN ECONOMY. WE HAVE HAD A CLEAR, PURPOSE-LED CULTURE SINCE WE BEGAN 161 YEARS AGO, AND THIS IS CENTRAL TO ALL DECISION MAKING. WE FOCUS ON PROVIDING SHARED VALUE AND CREATING ECONOMIC OPPORTUNITIES FOR ALL STAKEHOLDERS BY ADDRESSING THEIR NEEDS AND CHALLENGES. TRUST IS ONE OF OUR MOST VALUABLE ASSETS AND IT IS OUR RESPONSIBILITY TO DELIVER ON OUR COMMITMENTS WITH INTEGRITY”*

- Marnie Baker  
MANAGING DIRECTOR, BENDIGO  
AND ADELAIDE BANK.

## Introduction - Our group strategy

The context for our approach to corporate governance is our vision, strategy, values and purpose.

### OUR VISION

Our vision is to be Australia's bank of choice.

### OUR STRATEGIC IMPERATIVES

Our strategic imperatives are to reduce complexity, invest in capability and tell our story

### OUR VALUES

- Teamwork: We are one team with one vision. We work together, encourage diversity and respect the contribution of each individual.
- Integrity: We build a culture of trust. We are open, honest and fair.
- Performance: We strive for lasting success for all our stakeholders. We seek and provide feedback and find a better way.
- Engagement: We listen, understand – then deliver. We build our success through the success of others.
- Leadership: We all lead by example. We show initiative, are accountable and empower others.
- Passion: We believe in the importance of what we do and are proud of our bank.

### OUR PURPOSE

Our purpose is what brings it all together, the written expression of our company's long-held philosophy. It articulates why we're here, what we believe in, and why we do and say the things we do. Our purpose is to feed into the prosperity of our customers and their communities, not off it.

Our governance framework provides a system for the oversight of decision-making, actions and behaviour to make sure we live our values, focus on our strategy and align with our purpose.

# Overview

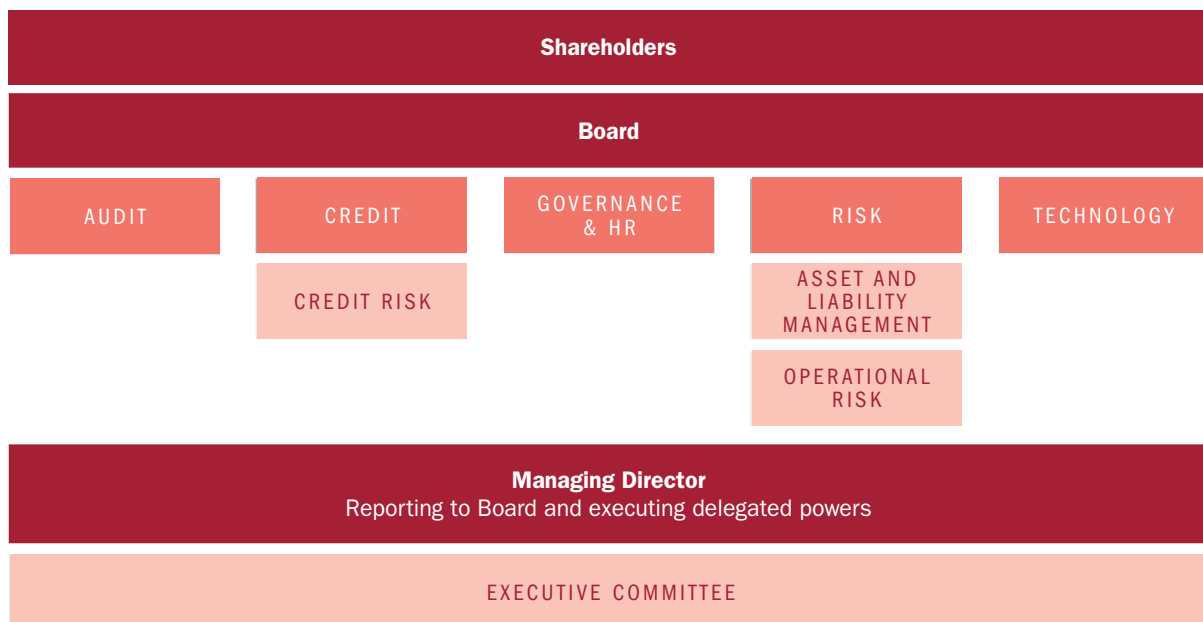
In this corporate governance framework we have taken into account APRA standards and guidance and ASX Corporate Governance Council Principles and Recommendations.

For the duration of the 2019 financial year, as in previous years, we adopted all of the ASX Corporate Governance Council's 3rd edition recommendations. A summary of the ASX recommendations and our adoption of them, together with a copy of the policies and other documents referred to in this report, are available at [http://www.bendigoadelaide.com.au/public/corporate\\_governance/](http://www.bendigoadelaide.com.au/public/corporate_governance/) We intend to adopt the 4th edition recommendations for the 2020 financial year.

This corporate governance statement is accurate and up to date as at [4 September 2019] and has been approved by the Board.

We have set out the key structural elements of our corporate governance framework below by way of overview.

The corporate governance framework applies across the Bank and its subsidiaries (the Group).



- Board Committees
- Management Committees

# About our Board

## Our Directors



OUR DIRECTORS AND THEIR BOARD COMMITTEE ROLES ARE SET OUT BELOW. MORE INFORMATION ABOUT EACH DIRECTOR IS IN THE DIRECTORS' REPORT IN THE 2019 ANNUAL FINANCIAL REPORT.

All of our Directors, with the exception of our Managing Director, are non-executive Directors. The Board assesses the independence of each non-executive Director on an annual basis and, for 2019, assessed each non-executive Director as independent. For these purposes, 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.

There were no relevant relationships to consider for any Director other than director tenure, particularly

that of Mr Johanson having regard to his length of tenure of 30 years. The Board assessed Mr Johanson as independent on the basis that he continues to test and challenge senior management constructively and always exercises independent judgment on matters presented for Board decision.

In relation to the role of each Bank Director as a Director of Rural Bank, the assets and liabilities of Rural Bank were transferred to the Bank during the financial year, and Rural Bank is now a division of the Bank rather than a separate legal entity. Accordingly, from 1 June 2019 each Director of the Bank ceased being a Director of Rural Bank.

*"WHEN I JOINED THE BOARD 31 YEARS AGO, WE WERE THEN A VERY SMALL COUNTRY BUILDING SOCIETY. AND NOW WE HAVE GROWN TO BE THE FIFTH BIGGEST RETAIL BANK IN AUSTRALIA. THERE HAVE BEEN ENORMOUS CHANGES OVER THAT TIME, CHANGES IN THE FINANCIAL SYSTEM AND TO OUR REACH AND CAPACITY. THROUGHOUT THIS TIME THE BANK HAS REMAINED FOCUSED ON ITS STAKEHOLDERS - CUSTOMERS, COMMUNITIES, EMPLOYEES AND SHAREHOLDERS. OUR GOVERNANCE FRAMEWORK HAS BEEN STRONG, INDEED IT HAS BEEN ONE OF OUR COMPETITIVE ADVANTAGES, CONTINUALLY EVOLVING TO MEET THE CHALLENGES OF A CHANGING ENVIRONMENT AND INCREASED STANDARDS OF GOVERNANCE."*



- Robert Johanson, CHAIR

**Robert Johanson**  
Independent Chair,  
retiring 29 October  
2019, BA, LL.M, MBA  
(Harvard), 68 years



**Appointed:** 1988 (Chair from 2006)  
Last re-election: 2016

**Committees:** Governance & HR, Technology

**Group and Joint Venture Directorships:**  
Homesafe Solutions (Chair)

Robert has experience in banking and financial services and expertise in corporate strategy, capital management, risk management and mergers and acquisitions. He has over 37 years' experience in providing corporate advice on capital market transactions to a wide range of public and private companies





Robert was a member of the Takeovers Panel, deputy Chancellor of the University of Melbourne and chair of the University's investment fund.

**Current Director and memberships:**  
Chair, Australia India Institute

Director, Robert Salzer Foundation Limited, NeuClone Pty Limited, Grant Samuel Group Pty Limited, Melbourne Business School.

<p><b>Marnie Baker</b> Managing Director BBus (Acc), CPA, MAICD, SFFin 51 years</p> 	<p><b>Appointed as Managing Director:</b> 2018 (employee from 1989)</p> <p>Marnie has 30 years' experience in banking and financial services, including retail banking, financial planning, funds management, payment systems, technology and treasury and financial markets. She has held senior roles across the Bank and has been an Executive of the Bank since 2000.</p>	<p><b>Current Director and memberships:</b> Marnie is a member of the Australian Banking Association Council, Business Council of Australia, and the Mastercard (Asia Pacific) Advisory Board.</p>
<p><b>Vicki Carter</b> Independent BA (Social Sciences), Dip Mgt, Certificate in Executive Coaching, GAICD, 55 years</p> 	<p><b>Appointed:</b> 2018 <b>Last election:</b> 2018</p> <p><b>Committees:</b> Credit, Governance &amp; HR, Technology</p> <p>Vicki has over 30 years' experience in the financial services sector including retail banking and more recently in telecommunications and technology.</p>	<p>Vicki is currently employed as Executive Director, Transformation at Telstra. Prior to this Vicki held a number of executive roles at NAB, as well as senior leadership roles at MLC, ING and Prudential.</p>
<p><b>David Foster</b> Independent B.AppSci, MBA, SFFin, FAIM, GAICD, 50 years</p> 	<p><b>Appointed:</b> September 2019</p> <p><b>Committees:</b> Credit, Risk</p> <p>David's executive career spanned 25 years, primarily in financial services with Westpac and Suncorp, including CEO of Suncorp Bank, where David led Suncorp Bank through a highly volatile period during the GFC. Prior to that, David was the Group Executive, Strategy at Suncorp during the acquisition of Promina Limited.</p>	<p>David is an experienced non-executive director. He holds several public company directorships.</p> <p><b>Current Director and memberships:</b> Director, G8 Education Limited, Genworth Mortgage Insurance Australia Limited, Motorcycle Holdings Australia Limited (as Chair), Thorn Group Limited (Chair) and Regional Investment Corporation. David is also a Council Member of the University of the Sunshine Coast.</p>
<p><b>Jan Harris</b> Independent BEc (Hons), 60 years</p> 	<p><b>Appointed:</b> 2016 <b>Last election:</b> 2016</p> <p><b>Committees:</b> Audit, Risk (Chair)</p> <p>Jan has had a distinguished career in the Australian public service with broad experience in public and regulatory policy development, economics and governance.</p> <p>Jan has held senior roles in the Department of Treasury and the Department of the Prime Minister and Cabinet, including as Deputy Secretary of the Treasury. Jan was a member of the Council of Financial Regulators,</p>	<p>the Centre for International Finance and Regulation, the Financial Sector Advisory Council and the board of the Australian Reinsurance Pool Corporation.</p> <p><b>Current Director and memberships:</b> External Member, Audit and Risk Committee, Australian Security Intelligence Organisation Member, Australian Office of Financial Management Audit Committee</p>
<p><b>Jim Hazel</b> Independent BEc, SFFin, FAICD, 68 years</p> 	<p><b>Appointed:</b> 2010 <b>Last re-election:</b> 2017</p> <p><b>Committees:</b> Risk, Credit (Chair)</p> <p>Jim is a professional public company director who has had an extensive career in banking and finance, including in the regional banking industry.</p>	<p><b>Current Director and memberships:</b> Chair, Ingenia Communities Group Limited</p> <p>Director, Centrex Metals Limited, Adelaide Football Club Limited, Coopers Brewery Limited</p> <p>Trustee, Adelaide Festival Centre Trust, Council Member, University of South Australia</p>

## Our Directors continued

<p><b>Jacqueline Hey</b> Independent, Chair elect, BCom, Graduate Certificate in Management, GAICD, 53 years</p> 	<p><b>Appointed:</b> 2011 Last re-election: 2017 Board Chair from 29 October 2019</p> <p><b>Committees:</b> Technology (Chair), Risk, Governance &amp; HR</p> <p>Jacquie is a professional non-executive director. She has experience in information technology, telecommunications and marketing, including as CEO/Managing</p>	<p>Director of Ericsson in the UK/Ireland and in Australia/NZ. Jacquie worked with Ericsson for more than 20 years in finance, marketing and sales and in leadership roles in Australia, Sweden, the UK and the Middle East.</p> <p><b>Current Director and memberships:</b> Director, Qantas Airways Limited, AGL Energy Limited, Cricket Australia, Member, Brighton Grammar School Council.</p>
<p><b>Robert Hubbard</b> Independent BA(Hons) Accy, FCA, 60 years</p> 	<p><b>Appointed:</b> 2011 Last re-election: 2016</p> <p><b>Committees:</b> Audit (Chair), Risk, Technology</p> <p>Rob is an accountant and auditor based in Queensland. He retired as a Partner of PricewaterhouseCoopers in 2013 after 22 years practising in the areas of corporate advice and audit, where he was the auditor of some of Australia's largest listed</p>	<p>companies. Rob is now a professional non-executive Director.</p> <p><b>Current Director and memberships:</b> Chair, Orocobre Limited, Healius Limited</p>
<p><b>David Matthews</b> Independent Dip BIT, GAICD, 61 years</p> 	<p><b>Appointed:</b> 2010 Last re-election: 2016</p> <p><b>Committees:</b> Audit, Credit</p> <p><b>Group and joint venture Directorships:</b> <b>Community Bank®</b> National Council</p> <p>David operates a farm and grain export business based in the Wimmera region of Victoria. David has involvement in a number of agricultural industry bodies. David chaired</p>	<p>the first Community Bank® company in Rupanyup and Minyip.</p> <p><b>Current Director and memberships:</b> Director, Australian Grain Technologies, Farm Trade Australia, Rupanyup/ Minyip Finance Group Limited (Rupanyup/Minyip Community Bank® branch)</p>
<p><b>Tony Robinson</b> Independent BCom, ASA, MBA, 61 years</p> 	<p><b>Appointed:</b> 2006 Last re-election: 2015</p> <p><b>Committees:</b> Governance &amp; HR (Chair), Audit, Credit</p> <p>Tony has many years' experience in financial services, particularly wealth management and insurance. Tony's previous roles include CEO of Centrepoint Alliance Limited,</p>	<p>IOOF Holdings Limited and OAMPS Limited.</p> <p><b>Current Director and memberships:</b> Chair, Longtable Group Limited, Pacific Current Group Limited and Executive Director, PSC Insurance Group Limited</p>

## The role of our Board

The Board has the following key responsibilities. More information is in the Board charter (available from our website).

- **Vision, point of difference, values and purpose:** This includes setting the Vision, Strategy, Values and Purpose, and in doing so, setting the corporate culture, and maintain oversight of it.
- **People:** This includes responsibilities in relation to the Managing Director, Executives, remuneration, diversity and workplace health and safety.
- **Customer voice:** This involves oversight of customer feedback and insights.
- **Business, operational, financial:** This includes reviewing and approving the strategic direction of the Group, approving significant corporate strategic initiatives, overseeing the architecture and technology strategy and approving regulatory financial disclosures.
- **Risk:** This includes considering recommendations of the Risk Committee, including in relation to risk culture, the risk

management strategy and framework, risk appetite, capital adequacy, capital management, and the effectiveness of risk management. It also includes considering recommendations from the Credit Committee including approving the credit risk management strategy and framework and the credit risk appetite. As well, the Board oversees technology risk management and information security.

The Board has delegated management responsibilities to the Managing Director. It has reserved some key responsibilities for the Board and Board committees, including corporate governance, and responsibilities of the Board under the Board charter, those delegated by the Board to a Board committee, and responsibilities otherwise required by the constitution or legal and regulatory requirements to be exercised by the Board. The Board also reserves for itself matters above specific delegation limits – including financial and risk limits. The Board may reserve any additional matter it decides, as advised to the Managing Director.

# The role of our Board committees

THE BOARD COMMITTEES ASSIST THE BOARD IN CARRYING OUT ITS RESPONSIBILITIES. IN DECIDING COMMITTEE MEMBERSHIPS, THE BOARD ENDEAVOURS TO MAKE THE BEST USE OF THE RANGE OF SKILLS ACROSS THE BOARD AND SHARE RESPONSIBILITY. AS WELL, OVERLAPPING MEMBERSHIPS TAKE INTO ACCOUNT WHERE MATTERS RAISED IN ONE COMMITTEE MAY HAVE IMPLICATIONS FOR ANOTHER. MEMBERSHIP IS REVIEWED ON AN ANNUAL BASIS.

The Board receives the minutes of all committee meetings at the following Board meeting as well as a verbal report from the committee Chair on significant areas of discussion and key decisions. To assist each committee in discharging its responsibilities, each committee has an annual meeting planner that sets out the scheduled items of business and reports to be considered during the year.

Information on the number of committee meetings held during the year, and attendance at those meetings, is presented in the Directors' Report in the 2019 Annual Financial Report (available from our website).

The key functions of each Board committee is set out below. The charter for each committee and the procedural rules applying to all committees are available from our website. Under the procedural rules, each committee must be composed of at least three members, a majority of independent directors (and, with the exception of the Technology Committee, all non-executive directors), and an independent Chair.

## AUDIT

Assistance to the Board in relation to oversight of each of the following.

- External audit, including prudential audit requirements.
- Internal audit, credit risk review and credit inspection function (Group Assurance)
- The integrity of statutory financial and prudential reporting, including financial reporting principles, policies, controls, and procedures.
- The effectiveness of the internal control and risk management framework.

Other responsibilities include in relation to reporting of concerns and oversight of assurance work in relation to culture.

## CREDIT

Assistance to the Board in relation to each of the following.

- Oversight of the credit risk profile and management of material credit risk exposures consistent with the credit risk appetite.
- Oversight of the credit risk management strategy and framework.
- Monitoring new or emerging material risks and treatment plans.
- Monitoring the credit risk culture.

## GOVERNANCE & HR

Assistance to the Board in relation to each of the following.

- Board nomination matters, including renewal, succession, performance and remuneration.
- Corporate governance, including governance developments and the corporate governance statement.
- Human resources matters, including employee engagement, retention, wellbeing, development, diversity and workplace health and safety.
- Remuneration, including the remuneration policy, risk, cash and equity-based incentive schemes, remuneration outcomes for roles specified under the remuneration policy, and the remuneration report.

## RISK

Assistance to the Board in relation to each of the following.

- Oversight of the risk profile and management of material financial and operational risks (including technology risk) consistent with the risk appetite and capital base.
- Oversight of implementation and operation of the risk management strategy and framework.
- Monitoring new or emerging material risks and treatment plans.
- Monitoring the risk culture.

## TECHNOLOGY

Assistance to the Board in relation to each of the following.

- Oversight of the Group's information technology and digital strategy and its implementation.
- Monitoring technology and digital business trends relevant to the Group.

# Board composition

## - what we look for in our Directors

HAVING REGARD TO OUR VISION, STRATEGY, VALUES AND PURPOSE, THE INDIVIDUAL ATTRIBUTES OF EACH DIRECTOR ARE AS CRITICAL AS THE SKILLS THEY BRING.

There is an expectation that each Director should be able to demonstrate sound business judgment, a strategic view, integrity, preparedness to question, challenge and critique and leadership qualities.

At a collective level, we look for a diversity of skills, knowledge and experience and attributes to enable the Board to

provide the oversight needed to develop and achieve our strategy. We also seek diversity in gender. As well, experience through business and economic cycles, developed from length of service on the Board is valued. This provides a deeper understanding of the industry including how political, regulatory, economic and financial market developments may

impact the business, as well as providing the benefit of corporate memory.

More generally, our Directors are expected to have a clear understanding of our strategy as well as knowledge of the industry and markets in which the business operates. Our Directors must also have a good understanding of each of the major business units to enable

### Executive leadership

Successful career as a Senior Executive or CEO

This experience brings a senior executive perspective of running a large organisation to board decision-making. This includes perspectives on organisational design and management including executive performance and provides an operational perspective on implementing our business plans and strategy.

### Corporate and business strategy

Experience in the development of strategy and oversight of implementation

This brings a longer term perspective and a broader understanding of the business landscape and functioning of larger corporate enterprises. It also brings an ability to critically test and challenge strategic priorities and business proposals presented by management.

### Financial acumen

Ability to understand financial statements, capital management and corporate finance, and to assess the adequacy of financial controls

Financial acumen is essential to understanding the financial drivers of our business and monitoring the performance of the business and integrity of financial reporting.

### Risk management

Ability to understand risk culture and the risk management strategy and framework, and monitor the effectiveness of controls

Risk management is fundamental to how we operate our business and critical to our performance. How we manage risk ultimately impacts our capital efficiency and our profile with our investors.

### Corporate governance

Knowledge and experience in sophisticated governance structures and commitment to high standards of corporate governance

A sound system of governance provides a system for the oversight of decision-making, actions and behaviour to make sure we live our values, focus on our strategy and align with our purpose, as well as promoting investor confidence.

### Public and regulatory policy

Experience in public and regulatory policy

The banking and financial services industry is highly regulated and continues to be directly impacted by continued legal and regulatory reform as well as political decision making and public policy.

### People and workplace health and safety

Experience in overseeing and assessing senior management, remuneration frameworks, workplace health and safety and strategic people management

Healthy, satisfied and engaged employees are a key foundation to our success. Our employment and workplace practices play a vital role in attracting, motivating and retaining high calibre management needed to implement the strategy. They also help ensure our employees continue to be committed to contributing actively to our customers' and the organisation's success.

### Technology and innovation

Experience in information technology systems, digital channels and information security or experience in technology governance

Our business is highly dependent on information technology. Innovation and disruption, particularly from new digital technologies, is transforming the way financial organisations operate and engage with their customers. To continue to be relevant, our business must be able to adapt to the rapidly changing environment.



# Board renewal and re-election of Directors

THE BOARD IS COMMITTED TO A PROCESS OF ORDERLY SUCCESSION, AIMING FOR A BLEND OF DIVERSITY IN GEOGRAPHY, BACKGROUND, APPROACH AND GENDER.

them to monitor effectively the implementation of the strategy and performance of the business. The Board has developed a skills matrix to help in assessing and making sure the composition of the Board meets the needs of the Group. The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the strategy. The skills, knowledge and experience in the current matrix is presented below, together with explanatory information.

**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 functions

This experience is important to understanding and monitoring business performance, evaluating the achievement of business plans and assessing developments in our business models, distribution channels and product innovation.

**Specialist knowledge and expertise** Experience in specialist areas such as agriculture, marketing, e-commerce and social media

A working knowledge of the specialist business sectors that we operate is extremely important for our business to exploit the unique opportunities it has in these specialised areas.

Succession planning is an ongoing process, with the Board discussing succession planning for its members and the Chair regularly and robustly. The current Chair, Mr Johanson, is not proposing to seek re-election when his current term ends in 2019. Ms Hey has been appointed Chair from the end of the 2019 Annual General Meeting.

The process to appoint a new Director is overseen by the Chair and Governance & HR Committee. The Governance & HR Committee's responsibilities include recommending to the Board the procedure for the selection of new Directors, the proposed criteria for the selection of Board candidates with particular reference to the current mix of skills, knowledge and experience and tenure on the Board, and identifying and nominating a short list of candidates for appointment to the Board.

The Board engages the services of a professional intermediary to provide assistance in identifying and assessing potential candidates. The preferred candidates meet with all current Board members before a final decision is made.

As well, Directors (and senior managers and the lead auditor) must meet fit and proper standards under our Responsible Persons Policy, which addresses the requirements of APRA's Prudential Standard CPS520 "Fit and Proper". Directors (and senior managers and the lead auditor) are assessed before appointment, and then annually to make sure that they have the competence, character, diligence, experience, honesty, integrity and judgment needed to properly perform their duties, as well as the education or technical qualifications, knowledge and skills relevant to the duties. This includes a review of probity checks and an individual fit and proper declaration by the Director.

This assessment process is now combined with the requirements for accountable persons under the Banking Executive Accountability Regime (BEAR) contained in the Banking Act 1959. Each member of the Board is an accountable person. The accountability regime establishes accountability obligations for accountable persons, requiring each accountable person to:

- act with honesty and integrity, and with due skill, care and diligence;
- deal with APRA in an open, constructive and cooperative way; and
- take reasonable steps in conducting their responsibilities as an accountable person to prevent matters from arising that would adversely affect the ADI's prudential standing or prudential reputation.

An accountable person is required to be registered with APRA and it is the Bank's responsibility to assess whether an individual is suitable to be an accountable person. Each Director was assessed as being suitable to be an accountable person.

A Director appointed by the Board must seek election at the next annual general meeting after appointment. For all re-nominations, the Board takes into account the skills knowledge, experience and attributes necessary to deliver the strategy of the Group and the extent to which these are represented on the Board, the diversity of the Board and the statement provided by the Director seeking election supporting their election. As such, Mr Foster who was appointed in 2019 will be seeking election at the 2019 annual general meeting.

The notice of annual general meeting includes all information relevant to the decision by shareholders whether or not to elect or re-elect a Director. This includes relevant information obtained by the Bank as part of the fit and proper assessment, the accountable person process, a statement about the Director's independence and a statement about the Board's support for the Director's re-election.

# Appointment and equipping Directors to perform their role

Each non-executive Director enters into an agreement that covers the Director's role and responsibilities, time commitments, induction and ongoing education, performance, remuneration, disclosure of outside interests, independence, privacy and confidentiality.

As well, arrangements for access, insurance, indemnity and access to independent professional advice arrangements are contained in a Director's Deed.

Following appointment, each Director participates in an induction program to familiarise themselves with our business and strategy and to develop industry knowledge. The information provided includes information about our corporate governance framework, policies, organisational structures and business activities. The induction program also involves one-on-one meetings with executives and senior management. There is also an induction program for each committee a Director joins.

As well, there is a periodic review of the professional development activities needed for Directors to maintain their skills and knowledge to perform their role as Directors effectively. There is a procedure for attending external programs at the expense of the Bank. The Board receives regular briefings and presentations from executives, senior management and industry specialists on relevant industry, regulatory and corporate developments.

The Board is entitled to seek any information it requires from any Group employee or from any other source. It is entitled to meet with employees and third parties without the presence of management and may request employees and third parties to attend Board meetings. The Board may also request briefings on relevant matters from members of the senior management team.

A Board committee can seek information from any Group employee or any other source and meet with employees and third parties without the presence of management. A committee may consult with a professional adviser or expert at the cost of the Bank, if the committee considers it necessary to carry out its responsibilities.

There is also provision for direct access to committees by management and the auditor as set out below.

- The external auditor may request to meet with the Audit Committee and has a standing invitation to attend all Audit Committee meetings. The external auditor may also request to meet with the Board and the Chair of the Audit Committee.
- The Head of Group Assurance has a direct reporting line to the Audit Committee and an administrative appointing line to the Chief of Staff. The Head of Group Assurance may request to meet with the Audit Committee and has a standing invitation to attend all Audit Committee meetings. As well, the Audit Committee must meet at least annually with the Head of Group Assurance without management.
- Senior management, the Chief Financial Officer and the Head of Group Operational Risk may request to meet with the Audit Committee.
- The Chief Risk Officer has a standing invitation to all Risk Committee and Credit Committee meetings and may request to meet with either committee.
- The Chief People Officer may request to meet with the Governance & HR Committee about work health and safety.

A Director may obtain independent professional advice at a reasonable cost to the Bank after first getting the approval of the Chair (or if the Chair refuses to give the approval, the Board).

As well, the Company Secretary provides advice on governance matters and support to the Board, committees and Directors. The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The appointment and removal of the Company Secretary is decided by the Board.

# Performance assessment of Board, Directors and Board Committees

The Board reviews its performance, and the performance of individual Directors, every year. From time to time, this process has been led by an external consultant, and in those years when a consultant is not engaged, the Chair leads the assessment of the Board and each Director, with a non-executive Director nominated by the Board leading the assessment of the Chair.

The process involves the completion of questionnaires and meetings with individual Directors. The Chair provides feedback to each Director on individual performance and conducts a session with the Board as a whole to discuss feedback about the Board as a whole. During that discussion the Board also sets the Board's goals and objectives for the following financial year. The non-executive Director nominated by the Board leads a Board discussion about the Chair's performance (in the absence of the Chair).

When an external consultant is engaged, the process is similar, but may also involve discussions with executives. The external consultant typically provides feedback on individual Director performance to the Chair and each Director, and on Board and Chair performance, to the Board as a whole (in the absence of the Chair in relation to Chair performance).

The annual review of Board committees process is similar to the Board process described above. The Chair of each committee leads the review and also the discussion of outcomes in the committee, followed by the discussion in the Board meeting.

This year an external consultant was engaged to undertake independent assessment of the Board's performance. This included an assessment of the "tone at the top", which concluded that the Board dedicated an appropriate level of attention to governance and management of non-financial risks and the voice of the customer and that the Board was highly engaged.

Areas for improvement identified included the following.

- The development of more formal mechanisms to increase the Board's visibility across the organisation and structured engagement with management, as well as formalising measures to monitor the extent to which the board's expectations are messaged and cascaded through the organisation.
- At the Governance & HR Committee meeting that considers the remuneration outcomes for roles specified under the remuneration policy, that part of the meeting is to be held jointly with the Risk and Audit Committees to consider the impact of risk and compliance issues on variable remuneration.
- Greater clarity and formality in relation to referrals of matters between committees and between the Board and committees, and where responsibility sits when referrals are made.
- Board committee performance reviews changed from biennial to annual.
- A requirement for an externally-facilitated board assessment at least every three years.
- The process for documenting and implementing the outcomes of Board and committee self-assessments to become more formalised.

Each of these areas for improvement have been accepted by the Board and are being implemented.

As well, a performance review was led by the incoming Chair, with a continued focus on Board structure, role, skills and experience, monitoring business performance and the performance of management, Board meeting effectiveness and interactions and current strengths and opportunities for improvement.

# About respecting our shareholders and investors

WE ARE COMMITTED TO GIVING OUR SHAREHOLDERS APPROPRIATE INFORMATION AND FACILITIES TO ENABLE THEM TO EXERCISE THEIR RIGHTS EFFECTIVELY. WE ARE ALSO COMMITTED TO MAKING SURE SHAREHOLDERS AND THE INVESTMENT COMMUNITY HAVE APPROPRIATE INFORMATION TO MAKE INVESTMENT DECISIONS.

The ways in which we do this include through the following.

- **Our announcements to ASX** – and the policies that guide this – our continuous disclosure policy and communications policy.
- **The shareholder centre on our website** – This provides a central point for shareholders to access information, including ASX announcements, media releases, the corporate calendar, investor presentations, reports and information about dividend history, shareholder privileges and the annual general meeting.
- **Our annual general meeting** – shareholders can attend in person or by proxy or watch the meeting through a live webinar.
- **Our investor relations team** – our team is committed to engagement with the investment community, telling our story and communicating our strategy.
- **Our financial reporting and statutory reporting, annual shareholder review, shareholder newsletters and this corporate governance statement.** We discuss integrity of reporting in more detail later.



## ASX Announcements

LIKE ALL LISTED COMPANIES, WE HAVE CONTINUOUS DISCLOSURE OBLIGATIONS UNDER THE ASX LISTING RULES.

This requires the disclosure to ASX immediately (subject to some exceptions) of price sensitive information before anyone else to make sure that all investors have equal and timely access to material information.

Our continuous disclosure policy explains how we manage price sensitive information to comply with this obligation. The policy is available from our website. It includes disclosure protocols. As a general rule, decisions about disclosure are made by the Managing Director.

The Company Secretary is responsible for coordinating communications with ASX and for having systems in place to make sure that information is not released to external parties until confirmation of lodgement is received from ASX.

Our communications policy provides clear authorities and protocols for communications with investors, ASX, regulatory authorities, media and brokers. It has also been designed to complement the continuous disclosure policy, to make sure that information flows are controlled, and to reduce the likelihood of inadvertent disclosures outside the continuous disclosure reporting regime. The communications policy is also available from our website.

# Shareholders

THE SHAREHOLDER CENTRE ON OUR WEBSITE PROVIDES A CENTRAL POINT TO ACCESS INFORMATION, INCLUDING ASX ANNOUNCEMENTS, MEDIA RELEASES, THE CORPORATE CALENDAR, INVESTOR PRESENTATIONS, REPORTS AND INFORMATION ABOUT DIVIDEND HISTORY, SHAREHOLDER PRIVILEGES AND THE ANNUAL GENERAL MEETING.

Shareholders can also access information about their own shareholdings through the shareholder centre, including transaction and dividend payment history and taxation information.

As well, shareholders can ask questions about the Bank and the Board, including about the annual general meeting, through the shareholder centre. We respond to questions by email.

Shareholders can request to receive shareholder documents using our e-shareholder service. The information is provided by email and includes dividend statements, shareholder reviews, annual reports, notices of meetings and shareholder question forms.

The annual general meeting provides an opportunity for shareholders to engage with us in person. We encourage shareholder participation. As well as attending in person or voting by proxy, shareholders can use direct voting. The direct vote or proxy voting instructions can be given either online or by mail. The annual general meeting is webcast and shareholders can watch the meeting live.

We also encourage shareholders to send questions to us in advance of the annual general meeting, either online or by mail. At the meeting, a reasonable opportunity is allowed for shareholders as a whole to ask questions about or make comments on the management of the Bank.

Shareholders are also invited to ask written questions of the auditor about the content of the auditor's report and the conduct of the audit of the annual financial report. These questions are given to the auditor and a reasonable opportunity is allowed at the meeting for the auditor or their representative to respond.

A suitably qualified representative of the audit team is required to attend the meeting to answer questions about the audit. An opportunity is provided for shareholders as a whole to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Bank in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

## Investment community

WE ARE COMMITTED TO ENGAGEMENT WITH THE INVESTMENT COMMUNITY, TELLING OUR STORY AND COMMUNICATING OUR STRATEGY.

We have an investor relations program which includes liaising with institutional investors, brokers, analysts and rating agencies, including strategy day presentations. Investor relations co-ordinates roadshows, including for the half-year and full-year result announcements.

Under our continuous disclosure policy and communications policy, restrictions apply to make sure price sensitive information is not disclosed before it is given to ASX. The employees who are authorised to speak with institutional investors, brokers, analysts and rating agencies is limited.

Parameters for discussions about results are set by the Managing Director. As well, there are restrictions on discussions in the pre-results period.

More generally, those authorised to comment on analysts' financial projections are limited and include the Managing Director, Chief Financial Officer and Head of Investor Relations. Comments must be confined to errors in factual information, computations and underlying assumptions.

# About our people

## INTRODUCTION

Having a diverse and inclusive workforce is important to the Bank; it is key to our objective of growing a community where our people want to work, are valued and belong.

Diversity is the variety of people and ideas within our organisation. Every one of us is unique and we value and respect individual differences. We think broadly about differences: this may include background, age, caring responsibilities, working and thinking styles, ethnicity, education, cultural background, disability, sexual orientation, gender identity and religion.

Inclusion is about creating an environment where all our people feel they belong and are valued; where they can bring their differences to work each day and leverage these in order to achieve the best results for our business.

We are also committed to the wellbeing of our employees. Among other things we successfully rolled out the equip resilience program, which is about providing our people with lifelong skills to draw upon during times of change and adversity, allowing us to cope and deal better with daily stressors, both at work and at home. The program will help us build a resilient organisation and workforce which places us well to respond to disruption and the need to be more agile and innovative in meeting our customer needs.



## DOING THE RIGHT THING

We started this corporate governance statement talking about our vision, strategy, values and purpose. A lot of it comes down to doing the right thing.

Our Code of Conduct is an important part of this. The Code of Conduct is designed to ensure all our people are fully aware of their obligations to themselves, their colleagues, their customers, their partners and their community.

We aim to raise industry standards, and reinforce trust and customer advocacy for our Bank. The Code of Conduct provides a framework and sets expectations for all employees, executives and board members.

The objectives of the Code are to make sure that high standards of corporate and individual behaviour are observed in conducting the business of the Group, and to provide support for those behaviours.

The Code is supported by more detailed policies on specific topics. Some relevant examples follow.

- **Conflicts of interest:** Our general conflicts of interest policy explains conflicts of interest, gives examples and helps employees understand how to identify and manage conflicts. In addition, there is a specific Board conflict of interest

policy, to provide guidance for directors about disclosing and managing conflicts of interest.

- **Reporting of concerns/whistleblower:** This policy, which was reviewed and updated during the course of the year, provides a reference point for reporting concerns, including on an anonymous basis. This includes a concern, a grievance and a suspected breach of law, code of conduct or a Group policy. The policy also explains the protection provided for employees who raise concerns in good faith. As well as the policy, there is a dedicated intranet page “Speaking Up” to help staff find information about who to talk to and how to report a concern.
- **Trading policy:** Our trading policy imposes restrictions on trading in the Bank’s securities by Directors and employees who are in possession of price sensitive information. In addition, a black-out period on trading is imposed on Directors, executives and other designated employees starting two weeks before the end of each reporting period and ending on the next business day after each half-year and full-year result announcement. The Board may impose additional restrictions.

The Code and these policies are available from our website.

# Remuneration

Our approach to remuneration is conservative and focused on the long-term. The long-held view of the Board is that remuneration which is leveraged towards short-term performance of an individual can create a disconnect between the individual's interests and the long-term interests of shareholders and other stakeholders, especially customers. Therefore, our executive remuneration approach is weighted towards fixed remuneration and equity that vests over the long term.

Our remuneration philosophy is based on the following principles.

- **Simplicity** – 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.
- **Transparency and procedural fairness** – 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, including gender pay equity.
- **Alignment with values** – 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.

- **Appropriate risk behaviour** – 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.
- **Supports good customer outcomes** – Reward structures and practices will be designed to minimise the risk of incentivising behaviours that may lead to poor customer outcomes.

The executive remuneration framework provides for the Board to apply its judgement when determining remuneration outcomes, making a holistic assessment of performance. Following the APRA Risk Governance Assessment, as discussed above, we have strengthened linkages between Board committees when considering remuneration outcomes to make sure all risks associated with the business, including non-financial risks, are considered when determining remuneration outcomes. As well, we have continued to embed risk and compliance outcomes explicitly in executive performance assessment and remuneration.

# Diversity and inclusion

## CREATING AN INCLUSIVE WORKPLACE

Our focus on diversity and inclusion is integral to how we serve our customers, grow our people and contribute to our communities. Our approach and commitment to diversity and inclusion is underpinned by our values of teamwork, integrity, performance, engagement, leadership and passion.

- **Our people**  
As an employer, we want the best for and from our people, we aim to ensure all our people are valued and supported for the differences they bring, so they can do their best work.
- **Our customers and communities**  
We engage with customers and communities, by taking time to connect, listen and understand and build sustainable relationships. Having a diverse team in order to better understand and meet the needs of our diverse customer base and the communities in which we operate is vital.
- **Our organisation**  
We recognise that to achieve our vision we must be a leader in diversity and inclusion. Our ability to deliver our unique style of banking is dependent on creating a culture that harnesses the benefits of diversity and inclusiveness.

We have recently endorsed our 2019-2021 Diversity and Inclusion Strategy, Belonging at BEN and our new Policy (available on our website).



*"WE CONTINUE TO BUILD AN INCLUSIVE ORGANISATION. THIS IS INTEGRAL TO CREATING A GREAT STAFF AND CUSTOMER EXPERIENCE, GROWING OUR CAPABILITY AND SUPPORTING OUR CUSTOMERS AND THEIR COMMUNITIES."*

- Tony Robinson,  
NON-EXECUTIVE DIRECTOR AND  
CHAIR OF BOARD GOVERNANCE  
& HR COMMITTEE

## OUR DIVERSITY AND INCLUSIVENESS APPROACH AND PROGRESS

Our diversity policy requires the Board to set measurable objectives for achieving gender diversity and annually assess the objectives and our progress. The Board Governance & HR Committee and Executive Committee each play an important role in supporting the Board carry out these responsibilities and our approach to diversity and inclusion and gender equality. Each committee's role includes annually reviewing progress against our diversity and inclusion measurable objectives.

Over the course of the last 3-year strategy, progress was made through a broad range of initiatives with a focus on gender and flexibility. Over the last 12 months, in addition, we have been setting the groundwork for our 2019-2021 Strategy.

The strategy has built upon our initial foundation of developing awareness in relation to flexible working and gender balance and is now taking a concerted shift to a broader approach on inclusion and diversity of thought, background and experience. Our strategy includes five key enablers that will leverage our strengths and work to address our challenges. The strategy seeks to pursue diversity and inclusion actively at all levels of the organisation.

Focus Area	Objectives	Progress FY2019
<b>Inclusion, Leadership Capability &amp; Commitment</b>	<ul style="list-style-type: none"> <li>• Create a safe, inclusive and empowering environment for all our people</li> <li>• Create a strong culture of inclusion, ready to reflect the communities we serve today as well as the ones in the future</li> <li>• Create a leadership mindset that seeks diversity and guards against unconscious or conscious bias future</li> </ul>	<p>Quarterly Employee Pulse Surveys have tracked a diverse and inclusive work environment favourably showing an increase from 70% in 2017 to 80% in 2019.</p> <p>As policies and processes become due for review, we are applying an inclusion lens. So far this has resulted in several positive changes to our Leave Policy and Recruitment practices.</p>
<b>Accessibility</b>	<ul style="list-style-type: none"> <li>• Build an Accessibility Confident organisation</li> <li>• Equip our people to have the tools, resources and support they need to do their best work</li> </ul>	<p>In May delegates from 10 key areas of the organisation represented the Bank at the Australian Network on Disability's (AND) annual conference. We continue to partner with AND, as we build strong momentum in creating an Access and Inclusion plan with a goal of building an Accessibility confident workplace.</p>
<b>LGBTQI+</b>	<ul style="list-style-type: none"> <li>• Create a safe, inclusive and empowering environment for our LGBTQI employees</li> </ul>	<p>The BEN Pride Network, Kaleidoscope was formed in 2017 and continues to gain new members. The group aims to create a safe, inclusive and empowering environment for LGBTQI+ employees, customers and communities. Awareness and Ally information sessions were held for staff and leaders across three of our head office locations, with positive feedback received on the increased understanding and awareness of participants. The Bank was also represented at the recent Loud Leadership Retreat which focused on building leaders for the LGBTQI+ community within regional areas.</p>
<b>Cultural Diversity</b>	<ul style="list-style-type: none"> <li>• Increase the representation of people from culturally and linguistically diverse backgrounds in our workforce</li> <li>• Provide a culturally safe and inclusive workplace</li> </ul>	<p>Cultural diversity initiatives have occurred at the local level such as celebrating Harmony Day. We will be investing in broader organisational initiatives in the future.</p>
<b>Indigenous</b>	<ul style="list-style-type: none"> <li>• Celebrate the culturally and linguistically diverse backgrounds in our indigenous workforce</li> <li>• Seek to improve banking experiences and employment outcomes for Aboriginal and Torres Strait Islanders</li> </ul>	<p>The Jawun initiative continues to be the cornerstone investment in building awareness of our Indigenous community amongst our staff. 20 of our staff have now undertaken a six-week secondment since the introduction of the program. This has contributed to powerful personal development for the secondees and additionally enabled practical contributions to Indigenous led change.</p>



## TARGETS AND PROGRESS ON GENDER EQUALITY MEASURABLE OBJECTIVES

We have a proud history of progress in this area. With over 40% of all managers being women, including our Managing Director we have seen first-hand the benefits diversity has had on our business.

We continue to prioritise the achievement of gender equality in management, with a focus on growing women at all levels of leadership, as well as our broader approach to inclusion and diversity. In resetting our objectives for 2019-2021 we note that

although we did not meet all our targets for women in leadership in 2015-2018, we remain committed to further improving in this area.

Aligned to the WGEA occupational categories, these new measurable objectives are set out in the table below, together with our progress to date. The targets and percentages achieved are for the Group.

WGEA category	March 2015	March 2016	March 2017	March 2018	Progress from 2018-2019	March 2019	2021 Target
Bendigo and Adelaide Bank Board	25.0%	33.3%	33.3%	33.3%	↑4.2%	37.5%	33% (maintain at least)
Chief Executive Officer	0.0%	0.0%	0.0%	0.0%	↑100%	100%	n/a
Executive Key Management Personnel	33.3%	44.4%	44.4%	37.5%	↓4.2%	33.3%	40%
- Other Executives/General Managers	25.5%	23.2%	21.8%	24.8%	↑3.5%	28.3%	
- Senior Managers	28.6%	29.7%	30.0%	30.1%	↑0.1%	30.2%	40%
Total Senior Management	28.0%	28.5%	28.5%	29.1%	↑1.0%	30.1%	
Middle & Frontline Management Other Managers	41.0%	41.8%	44.5%	45.0%	↓0.4%	44.6%	50%
Total Managers	37.8%	38.2%	40.7%	40.6%	↓0.3%	40.3%	45%
Total Other Employees	68.0%	66.8%	66.9%	66.6%	↓0.5%	66.1%	n/a
Total employees	61.5%	61.0%	61.6%	61.3%	↓0.4%	60.7%	n/a

We are pleased to be able to report that female representation in our Total Senior Management cohort has increased by a further 1% overall. This movement largely assisted by a 3.5% increase within our Other Executives/General Manager ranks. The internal appointment of our first ever female CEO resulted in a decrease in our representation of our 'Executive' cohort, as although an Executive, the Managing Director is not counted in this category, but consequently, raised female representation at Board level.

As reported last year, we achieved our previous gender objectives in relation to committee membership for Pricing and

Operational Risk, but not for Asset & Liability Management or Credit Risk. As part of our new strategy we have set an objective to measure the breadth of diversity of key committees beyond gender with a goal to see growth over time. We see the committees as important in providing opportunities for the exposure and development, as well as creating the environment to harness the benefits of diversity of thought in our key decision-making forums.

Further to our objectives of women in leadership, in July this year our Board endorsed an additional set of measurable objectives for 2019-2021 set out in the table below.

Target	Measure	Measure Frequency
Gender representation by leadership level, by division	Baseline in 2019 and aim for growth	Every six months
Pay equity	Baseline and aim to grow this	Annual
Participation at Senior Leadership level	Address and track practices that may hinder career progression for women to move into Senior Leadership roles	Annual
Successfully attain WGEA Employer of Choice for Gender Equality	Successful achievement	2021 inaugural then annual

Under the Workplace Gender Equality Act, we are required to make annual public filings with the Workplace Gender Equality Agency (WGEA), disclosing its 'Gender Equality Indicators'. These reports are filed annually for the 12 month period ending March 31.

The latest filing is available on our website.

We have made positive progress over many years focusing on the diversity of our people and we continue to be committed to having a more diverse and inclusive workforce.

# About integrity of financial reporting

THE INTEGRITY OF FINANCIAL REPORTING TO SHAREHOLDERS IS PROTECTED THROUGH THE FOLLOWING ELEMENTS.

- Board oversight and responsibility
- A Group declaration process, including declarations from the Managing Director and the Chief Financial Officer
- Oversight from the Audit Committee
- Independent external auditor

## Board

The Directors are responsible for assessing whether the financial statements and notes are in accordance with the Corporations Act, comply with accounting standards and give a true and fair view of the financial position and performance of the Group. A Directors' declaration to this effect must be included in the annual and half-year financial reports.

## Declarations

A declaration process, supported by due diligence and verification, is undertaken across the Group for the annual and half-year financial statements.

The annual Directors' declaration is only made after receipt of declarations by the Managing Director and Chief Financial Officer, including that:

- The financial records of the Bank have been properly maintained in accordance with the Corporations Act.
- In their opinion, the financial statements and notes comply with the accounting standards and give a true and fair view of the financial position and performance of the Bank.
- There are reasonable grounds to believe the Bank will be able to pay its debts as and when they become payable.
- Their opinions have been formed on the basis of a sound system of risk management and internal control, and this is operating effectively in all material respects.

Although not required by the Corporations Act, the same declarations are provided to support the half-year Directors' declaration.

The adequacy of the process implemented to support the Managing Director and Chief Financial Officer declarations is reviewed and assessed by the Audit Committee each reporting period. The declarations are made on the basis that they provide a reasonable, but not an absolute, level of assurance and do not imply a guarantee against adverse events or circumstances that may arise in future periods.

The processes supporting the declarations include the Group half year and annual risk management declarations. These form part of the Group Risk Management Framework

(discussed below), but also support the Managing Director and Chief Financial Officer declarations. The process is intended to provide assurance that the Group has identified material business risks associated with its activities and implemented appropriate risk management policies, frameworks, systems and procedures to manage those risks.

Each Executive and relevant Senior Manager provides a risk management declaration, with support from their relevant line management, as to whether there are any known risk matters that could materially impact either the operations of the Group or the integrity of the statutory financial reports.



*WITH RECENT SIGNIFICANT AND COMPLEX CHANGES TO ACCOUNTING STANDARDS IMPACTING REVENUE RECOGNITION AND CREDIT IMPAIRMENT OF FINANCIAL ASSETS AND LEASES, A KEY FOCUS OF THE AUDIT COMMITTEE HAS BEEN THE OVERSIGHT OF THE IMPLEMENTATION OF THESE NEW STANDARDS BY THE GROUP.”*

- Rob Hubbard,  
CHAIR, AUDIT COMMITTEE

## Audit Committee

The Audit Committee assists the Board by providing oversight of the Group's financial reporting responsibilities including external audit independence and performance. The Audit Committee responsibilities include the following:

- Reviewing the half-year and full-year statutory financial reports for recommendation to the Board.
- Reviewing significant accounting estimates and judgements used

for the preparation of the financial reports.

- Reviewing and approving any new or proposed changes in Group accounting policies.
- Monitoring developments in statutory reporting and accounting and disclosure requirements.
- Reviewing the effectiveness of the Group's internal control and risk management framework.

## External auditor

The audit or review by the external auditor provides a further level of protection of the integrity of the financial statements. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and assessing the performance of the external auditor.

Independence of the external auditor is important to the integrity of the audit function and the Corporations Act sets out independence requirements. The Audit Committee is responsible for maintaining a policy dealing with auditor independence and monitoring compliance with that policy. The policy is available from our website. Key elements of the policy include appointment of the external auditor and ongoing independence requirements including a restriction on non-audit services, restrictions on certain relationships with the Group and the requirement for rotation of the audit partner. It also includes the

requirement for the auditor to give an annual and half-year independence declaration to Directors.

With limited exceptions, the approval of the Audit Committee is required before the external auditor is engaged to provide non-audit services. This enables the Audit Committee to assess whether there may be an impact on auditor independence. The Audit Committee gives an annual and half-year statement to the Board as to whether the Audit Committee is satisfied that the independence of the external audit function has been maintained having regard to the provision of non-audit services. The annual Directors' Report includes information about any non-audit services and whether the Directors are satisfied that the provision of non-audit services is compatible with the independence of the auditor and the reason for being satisfied.

# About managing risk

THE MANAGEMENT OF RISK IS A FUNDAMENTAL PART OF OUR STRATEGY AND OPERATIONS. THE FINANCIAL PROSPECTS OF ANY COMPANY ARE SENSITIVE TO THE NATURE AND EXTENT OF THE RISKS ASSOCIATED WITH ITS ACTIVITIES AND THE EFFECTIVENESS OF THE STRATEGIES ESTABLISHED TO MANAGE THESE RISKS.

## Risk management framework

WE HAVE IN PLACE A GROUP RISK MANAGEMENT FRAMEWORK, APPROVED BY THE BOARD, WHICH ESTABLISHES AN INTEGRATED SYSTEM OF RISK MANAGEMENT GOVERNANCE AND ACCOUNTABILITY FOR THE MATERIAL RISKS.

Our business is exposed to a broad range of economic and commercial risks. The material risks that we actively manage are strategic risk, operational risk and key financial risks – credit, interest rate, traded market and liquidity risk.

The risk management framework is supported by individual risk management frameworks for credit risk, interest rate risk, traded market risk, liquidity risk and operational risk. The risk framework comprises the following core risk management elements:

- **Strategy and appetite:** The articulation of the Group's strategy and measurable strategic objectives, including the Group's risk appetite.
- **Governance and structure:** The articulation of the governance and structure for the management of material risks. This is discussed further below.
- **Measurement and performance:** This deals with how each material risk is measured and monitored to ensure performance is consistent with the Board approved risk appetite.
- **Culture and learning:** The initiatives that enhance and embed the Group's risk culture to better align and support strategy, vision, appetite and values.
- **Management and control:** This comprises the internal controls and tools available to employees to manage risk, and the oversight functions and protocols.

The risk management framework is reviewed annually by the Risk Committee and Credit Committee with any changes recommended to the Board for approval. Following the 2019 review, no substantive changes

were needed to the framework. The risk management framework is considered to be adequate and operating effectively to manage the material risks faced by the Group including non-financial risk. Notwithstanding this assessment there are a number of areas of focus which have been identified through review work (including the Risk Governance Assessment), specifically as set out below:

- Further developing more formal mechanisms to monitor risk culture and to identify and implement actions to maintain an appropriate risk culture aligned to the achievement of the Group's strategic objectives within risk appetite.
- Strengthen the processes for the ongoing measurement and oversight of conduct risk including the development of a formal strategy for conduct risk.
- Review, augment and consolidate a number of key reports used to oversee non-financial risks with specific reference to outstanding remediation action relating to audit, risk, compliance and regulatory matters.



# Risk management governance

THE BOARD OVERSEES THE RISK MANAGEMENT STRATEGY AND FRAMEWORK TAKING INTO ACCOUNT THE RISK APPETITE, PRUDENTIAL CAPITAL REQUIREMENTS AND STRATEGIC AND BUSINESS PRIORITIES OF THE GROUP.

This includes setting and reviewing the risk appetite, deciding on changes to the risk management framework and monitoring the effectiveness of the risk management framework.

The following Board committees assist the Board in the oversight of risk.

- **Risk Committee:** In relation to the risk appetite and risk management strategy.
- **Credit Committee:** In relation to the credit risk appetite and credit risk management strategy.
- **Governance & HR Committee:** In relation to remuneration risk.
- **Audit Committee:** In relation to financial reporting and taxation risk.

The following management committees also assist in relation to risk management.

- Executive Committee
- Operational Risk Committee
- Asset and Liability Management Committee
- Management Credit Committee
- Credit Policy Committee
- Operational Risk Policy Committee
- Technology and Business Enablement Risk Committee
- Pricing Committee

- Risk Models Committee
- Group Work Health and Safety and Security Management Committee
- Lending Standards Review Committee.

The Group adopts a “Three Lines of Defence” model, which includes:

- **Ownership (First Line):** This involves business unit ownership and accountability. The day to day responsibility for managing risk rests with the executive management team and business units.
- **Challenge and oversight (Second Line):** Group Risk functions, including Credit Risk and Operational Risk, provide the second line of defence, developing risk management frameworks, policies, systems and processes, as well as monitoring compliance and reporting.
- **Independent assurance (Third Line):** Group Assurance (internal audit and credit risk review) conducts independent testing and verification of the effectiveness of internal controls and provides assurance that the risk management process is functioning as designed. As noted above, there is a reporting line between the Head of Group Assurance and the Audit Committee and an administrative reporting line to the Company Secretary.



*“IN TODAY’S ENVIRONMENT, THE IMPORTANCE OF EFFECTIVE RISK MANAGEMENT IS AS HIGH AS IT HAS EVER BEEN. INDUSTRY EVENTS IN RECENT TIMES HAVE REINFORCED THE IMPORTANCE OF FOCUSING ON BOTH FINANCIAL AND NON-FINANCIAL RISKS AS WELL AS IDENTIFYING EMERGING RISKS THAT MAY IMPACT THE BANK’S CUSTOMERS AND SHAREHOLDERS. IT IS THE ROLE OF OUR RISK COMMITTEE TO PROVIDE OVERSIGHT OF THE GROUP’S RISK PROFILE AND RISK MANAGEMENT FRAMEWORK AS WELL AS CHAMPIONING THE IMPORTANCE OF EMBEDDING A STRATEGICALLY ALIGNED AND SUSTAINABLE RISK CULTURE WITHIN THE ORGANISATION.”*

- Jan Harris,  
CHAIR, RISK COMMITTEE

# Economic, environmental and social sustainability risks

OUR ECONOMIC, ENVIRONMENTAL AND SUSTAINABILITY RISKS AND HOW WE MANAGE, OR INTEND TO MANAGE THEM ARE DISCUSSED BELOW. FURTHER INFORMATION ON BENDIGO AND ADELAIDE BANK'S EXPOSURE IS SET OUT IN OUR 2019 ANNUAL FINANCIAL REPORT AND 2019 ANNUAL REVIEW.

## ECONOMIC SUSTAINABILITY

*The ability of a listed entity to continue operating at a particular level of economic production over the long term.*

We discuss economic sustainability risks in the Operating and Financial Review section of the Directors' Report, which is available from our website.

## ENVIRONMENTAL SUSTAINABILITY

*The ability of a listed entity to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term.*

Environmental sustainability includes our direct impacts on the environment and our indirect impacts through our lending and other financial intermediary activities.

Our business is committed to:

- Actively identifying environmental and climate risks and reporting these.
- Actively identifying opportunities to reduce the Bank's environmental footprint.
- Assisting our staff, customers, partners, shareholders and communities to identify opportunities to reduce their environmental footprints and to be better prepared for future climate risks.
- Considering the physical environment and future environmental and climate conditions in all relevant business decisions.
- Considering the impact of climate risks on the performance and sustainability of the business, and the communities we influence.
- Measuring and reporting progress in acting to achieve these goals.
- Working with staff, customers, partners and supply chain stakeholders to make a difference.

We support long term strategies that aim to reduce our environmental footprint and our exposure to climate risks. We are maturing our approach to reporting while we work with key parts of our business who have more material exposures, such as agribusiness, to build knowledge and action. We regularly review climate change scenarios and stress test our agribusiness portfolio against these, with results informing future strategies and our lending practices. We are continuing to build resilience into our business model through embedded climate risk analysis for lending policy and by growing diversification of revenue streams.

We provide full disclosure of our carbon emissions, and where relevant, we consider the social, climate and environmental outcomes of the business decisions we make. As an example of these considerations, our Bank does not lend to projects in the coal and coal seam gas sectors, and we have taken a pragmatic approach that says it makes no sense to broaden our footprint by starting to do so. We also develop and participate in initiatives that offset our environmental impact, educating and encouraging others to do the same.

We recognise that climate risk will have a material risk on the communities and businesses we operate in, and are maturing our approach to climate governance, strategy, risk management, metrics and targets in line with the Task Force recommendations on Climate-related Financial Disclosures. We are proposing to start reporting in the near future.

More information is available from our website [https://www.bendigoadelaide.com.au/public/in\\_the\\_community/sustainable\\_communities.asp](https://www.bendigoadelaide.com.au/public/in_the_community/sustainable_communities.asp) and in our Annual Review (available from our website).

## SOCIAL SUSTAINABILITY

*The ability of a listed entity to continue operating in a manner that meets accepted social norms and needs over the long term.*

Social sustainability underlies everything we do. Our purpose is to feed into the prosperity of our customers and their communities, not off it.

Our expertise is financial services, and that is our focus. However, in addition to this the trust of communities in our ability to deliver solutions that benefit customers, people, partners and communities is critical to our success.

There are numerous examples of social sustainability being at the centre of what and how we do things.

- Our Community Bank® model is one example of this – partnering with local people and the community to provide communities with quality banking services, employment opportunities, retention of local capital, a local investment option for shareholders, and importantly, a source of revenue for projects decided by local people.
- Our partnership with the Community Services sector in the creation of the Community Sector Bank, providing fit for purpose products and services for the ‘for purpose’ sector and a certified B Corporation. This sector delivers 3.8% of gross value added (GVA) to the Australian economy each year and we believe a partnership that brings together banking expertise and for purpose organisation expertise ensures the unique needs of this critical sector are supported.
- Our partnership with member owned social enterprises via the Alliance Bank® network. The Alliance Bank members are mostly certified B Corporations and apply the LGB Global Framework to assess corporate community investment. An Alliance Bank member developed the Social Impact Loan: a unique instrument that enables Alliance Bank® partners to support businesses and projects that have a social purpose and may not ordinarily qualify for loans.

More information is available from our website: [http://www.bendigoadelaide.com.au/public/in\\_the\\_community/](http://www.bendigoadelaide.com.au/public/in_the_community/) and in our Annual Review (available from our website).

AUSTRALIA'S BANK OF CHOICE

Corporate Governance 2019  
Bendigo and Adelaide Bank Limited.  
ABN 11 068 049 178