



Corporate Governance Statement 2020



**Bendigo and
Adelaide Bank**

Introduction

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 strategy

Our strategy is **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 of our corporate governance

In setting up our corporate governance framework and reviewing and enhancing it we have considered APRA prudential standards and guidance and the ASX Corporate Governance Council Principles and Recommendations.

For the whole of the 2020 financial year we adopted the ASX Corporate Governance Council's fourth 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 https://www.bendigoadelaide.com.au/corporate_governance/index.asp.

This corporate governance statement is accurate and up to date as at 7 September 2020 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 and Board committee Structure



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 2020 Annual Financial Report (available from our website).

The composition of the Board changed during the year as Robert Johanson retired from the Board and his role as Chair on 29 October 2019. Jacqueline Hey commenced as Chair of the Board at the conclusion of the Annual General Meeting on 29 October 2019.

All our Directors, apart from our Managing Director, are non-executive Directors. The Board assesses the independence of each non-executive Director on an annual basis and, for 2020,

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. The Board assessed that the Directors are independent and that they continue to test and challenge Executives and senior management constructively and exercise independent judgment on matters presented for Board decision.

Jacqueline Hey Independent, Chair

BCom, Graduate
Certificate in Management,
GAICD, 54 years



Appointed: 2011 Last re-election: 2017

Committees: Technology, Governance & HR

Jacqueline has experience in information technology, telecommunications, finance, risk management and marketing, including as CEO/Managing Director of Ericsson in the UK and in Australia.

Jacqueline 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.

Current Director and memberships:

Director, Qantas Airways Limited, AGL Energy Limited, Cricket Australia; Member, Brighton Grammar School Council.

Marnie Baker Managing Director

BBus (Acc), ASA, MAICD,
SFFin, 52 years



Appointed as Managing Director: 2018 (employee from 1989)

Marnie has more than 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.

Current Director and memberships:

Deputy Chair, Australian Banking Association Council; Member, Business Council of Australia, La Trobe University's Bendigo Regional Advisory Board, Mastercard (Asia Pacific) Advisory Board.

Vicki Carter Independent

BA (Social Sciences), Dip
Mgt, Certificate in Executive
Coaching, GAICD,
56 years



Appointed: 2018 Last election: 2018

Committees: Technology (Chair), Credit, Governance & HR

Vicki has more than 30 years' experience in the financial services sector including retail banking and more recently in business technology.

Vicki is currently employed as Executive Director, Transformation at Telstra. Prior to this Vicki held several executive roles at NAB, as well as senior leadership roles at MLC, ING and Prudential.

David Foster
Independent

B.AppSci, MBA, GAICD,
SFFin, 51 years



Appointed: August 2019 Last election: 2019

Committees: Credit (Chair), Risk

David is an experienced non-executive Director. He holds several directorships across a range of listed and government organisations. David's earlier executive career spanning 25 years was primarily in financial services

with Westpac and Suncorp Bank, including CEO of Suncorp Bank.

Current Director and memberships:

Chair, Motorcycle Holdings Limited; Director, G8 Education Limited, Genworth Mortgage Insurance Australia Limited, Youi Holdings Pty Ltd, Peak Services Pty Ltd; Member, University of the Sunshine Coast Council.

Jan Harris
Independent

B.Ec (Hons), 61 years



Appointed: 2016 Last election: 2019

Committees: Risk (Chair), Audit

Jan has had a distinguished career in the Australian public service with broad experience in public and regulatory policy development, economics and governance. 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.

Current Director and memberships:

External Member, Audit and Risk Committee of the Australian Security Intelligence Organisation; Member, Australian Office of Financial Management Audit Committee.

Jim Hazel
Independent

B.Ec, SFFin, FAICD, 69 years



Appointed: 2010 Last re-election: 2017

Committees: Credit, Risk

Jim is a professional public company Director who has had an extensive career in banking and finance, including in the regional banking industry.

Current Director and memberships:

Chair, Ingenia Communities Group Limited; Director, Adelaide Football Club Limited, Coopers Brewery Limited; Chair, Adelaide Festival Centre Trust; Pro Chancellor, University of South Australia.

Robert Hubbard
Independent

BA(Hons) Accy, FCA, 61 years



Appointed: 2013 Last re-election: 2019

Committees: Audit (Chair), Risk, Technology

Rob is an accountant with finance, audit and risk management experience 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 companies. Rob is now a professional non-executive Director.

Current Director and memberships:

Chair, Orocobre Limited, Hedius Limited; Director, L&R Foundation Pty Ltd.

David Matthews
Independent

Dip BIT, GAICD, 62 years



Appointed: 2010 Last re-election: 2019

Committees: Audit, Credit, Governance & HR

Group and joint venture Directorships: Member, Community Bank National Council; Chair, Agribusiness Advisory Committee.

David operates a farm and an agricultural import and export business based in the Wimmera region of Victoria.

David is involved in several agricultural industry bodies. David chaired the first Community Bank company in Rupanyup and Minyip.

Current Director and memberships:

Director, Australian Grain Technologies Pty Limited, Farm Trade Australia Pty Limited, Rupanyup/Minyip Finance Group Limited (Rupanyup/Minyip Community Bank branch).

Our Directors continued

Tony Robinson Independent

BCom, ASA, MBA,
62 years



Appointed: 2006 Last re-election: 2018

Committees: Governance & HR (Chair),
Audit, Technology

Tony has many years' experience in financial services, particularly wealth management and insurance. Tony's previous roles include CEO of Centrepont Alliance Limited, IOOF Holdings Limited and OAMPS Limited.

Current Director and memberships:

Chair, Pacific Current Group Limited;
Director, PSC Insurance Group Limited,
River Capital Pty Ltd

The role of our Board

The Board has the following key responsibilities. More information is contained in the Board charter (available from our website at <https://www.bendigoadeelaide.com.au/globalassets/documents/bendigoadeelaide/governance/charters/board-charter.pdf>).

- **Vision, strategy, values and purpose:** This includes setting the vision, strategy, values and purpose, and in doing so, setting the corporate culture, and maintaining 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 and financial matters:** 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 for 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 as outlined in its charter. These include corporate governance, specific responsibilities of the Board under the Board charter, the responsibilities delegated by the Board to a Board committee, and responsibilities otherwise required to be exercised by the Board by the constitution, legislation or regulatory standards. 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 and expertise across the Board and share responsibility. As well, overlapping memberships take into account where matters raised in one committee may have implications for another. Committee membership is reviewed on an annual basis.

The Board receives the minutes of all Board committee meetings at the following Board meeting and is presented with a verbal report from each 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 by members at those meetings, is presented in the Directors' Report in the 2020 Annual Financial Report (available from our website at https://www.bendigoadelaide.com.au/shareholders/annual_reports.asp).

The key functions of each Board committee are 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

The Audit Committee assists the Board in relation to oversight of each of the following:

- External audit, including prudential audit requirements.
- Internal audit (Group Assurance) function.
- 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 ensuring there are policies and processes in place for the reporting of employee concerns/whistleblower matters and oversight of assurance work in relation to organisational culture.

Credit

The Credit Committee assists the Board in relation to each of the following:

- Oversight of the current and future 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

The Governance & HR Committee assists the Board in relation to each of the following:

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

Risk

The Risk Committee assists the Board in relation to each of the following:

- Oversight of the current and future risk profile and the management of material financial and operational (including non-financial) risks 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

The Technology Committee assists 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 risks and 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, a readiness to question, challenge and critique, and leadership qualities.

At a collective level, we look for a diversity of skills, knowledge, experience and attributes to enable the Board to provide the oversight needed to develop and achieve our strategy. We also seek diversity in gender. In addition, 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 and 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 them to monitor effectively the performance of the business and the implementation of the strategy.

The Board has developed a skills matrix to help in assessing and ensuring that the composition of

the Board meets the needs of the Group. The Board considers it has the appropriate mix of skills and expertise and it regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the strategy. A combination of internal and external Board reviews across 2019 and 2020 have confirmed the Board collectively possesses an appropriate standard of expertise across all required skill matrix areas.

The desired skills, knowledge and experience in the current matrix include:

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 outlook on implementing our business plans and strategy.

Corporate and business strategy

Experience in the development of strategy and oversight of implementation

This experience 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 the integrity of financial reporting.

Risk management

Ability to understand risk culture, 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 the foundation for the effective oversight of decision-making, actions and behaviour to ensure 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 actively contributing 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 evolve and adapt to the rapidly changing environment.

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

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 in is extremely important for our business to exploit the unique opportunities it has in these specialised areas.

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. Succession planning is an ongoing process, with the Board discussing succession planning for its members and the Chair regularly and robustly. Ms Jacqueline Hey was appointed as Board Chair at the end of the 2019 Annual General Meeting.

The process to appoint a new Director is overseen by the Board Chair and the 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, experience and tenure on the Board, and identifying and nominating a short list of candidates for appointment to the Board. The Board may engage 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.

Each Director and Executive has a written agreement with the Bank setting out the terms of their appointment. Additionally, Directors, Executives 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, Executives 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 those duties. This includes obtaining or reviewing background probity checks and an individual fit and proper declaration by each Director and Executive.

This annual assessment process is 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 and each Executive 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 Bank's prudential standing or prudential reputation.

An accountable person is required to be registered with APRA and it is our responsibility to assess whether an individual is suitable to be an accountable person. Each Director and each Executive has been 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 that supports their election.

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 election or 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 obligations.

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 that a Director joins.

In addition, 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 Executive or 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 reporting line to the Company Secretary. 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 attend all Risk Committee and Credit Committee meetings and may request to meet with either committee. The Chief Risk Officer also has an invitation to attend the Governance & HR Committee meeting that considers the remuneration of those persons as required under the Remuneration Policy.
- The Chief People Officer may request to meet with the Governance & HR Committee about work health and safety and remuneration considerations of those persons as required under the Remuneration Policy and has a standing invitation to attend all Governance & HR Committee meetings.

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 assessments 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 is 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 may involve 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 full Board to discuss feedback about the Board as a whole. The Chair of the Governance and HR Committee 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 the Chair's performance).

The annual review process of Board committees is similar to the Board review process described above. The Chair of each committee leads the review and also the discussion of outcomes with the committee, followed by a discussion at the next Board meeting. Each Committee has assessed its performance this year and the outcomes have been reported to the Board.

This year an external consultant was engaged to provide an assessment of the Board. The process involved in depth interviews with all Board members and all Executives. The outcomes found the Board and its activities continue to be effective. Areas of strengths and focus were identified and an action plan of continuous improvement and Board renewal has been agreed.

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:

- Our announcements to ASX – announcements are made in accordance with 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 and the annual general meeting.
- Our annual general meeting – shareholders are invited to attend and participate in our annual general meeting each year and this year can do so virtually.
- 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 – the integrity of reporting is discussed in more detail in the next section.



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 and it includes our disclosure protocols. As a general rule, decisions about disclosure are made by the Managing Director and the Board is given a copy of any continuous disclosure announcement as soon as possible after it is made.

The Company Secretary is responsible for coordinating communications with ASX and for having systems in place to ensure 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, the 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. Our communications policy is also available from our website.

Shareholders

As noted above, 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 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.

Shareholders can ask questions about the Bank and the Board, including about the annual general meeting, through the shareholder centre. 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. We encourage shareholder participation. Due to the continuing developments in relation to coronavirus (COVID-19), we have made some changes to our annual general meeting this year, with the health and safety of our shareholders and employees being of paramount importance. Due to continuing restrictions on large gatherings, the Bank's annual general meeting this year will be held virtually.

Shareholders can participate and vote at the meeting online. Alternatively, shareholders can watch the broadcast of the meeting via a live webcast, or listen to the meeting over the telephone. Details on how to participate are set out in the notice of the annual general meeting. As well as voting by proxy, shareholders can use direct voting. The direct voting and proxy voting instructions can be submitted either online or by mail. Our practice at annual general meetings as provided in our notices of meeting is that voting on resolutions is conducted by poll.

We 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 or the business of the meeting. Shareholders are also invited to submit written questions directed to 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 to facilitate an effective two-way communication with the investment community to provide a better understanding of the Bank's performance. The Bank engages with institutional investors, private investors, brokers, analysts and rating agencies. Investor relations co-ordinates roadshows for the half-year and full-year result announcements and other ad hoc investor meetings as required. In accordance with our continuous disclosure policy, presentation materials are provided to the ASX ahead of substantive presentations to investors and analysts.

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



Integrity of corporate financial reporting

The integrity of financial reporting to shareholders is controlled by:

- 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, that they 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.

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.

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, which confirm 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 further 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.

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 external audit independence policy is available from our website. Key elements of the policy include appointment of the external auditor and ongoing independence requirements such as 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 annual and half-year independence declarations 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 provided 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.

Periodic corporate reports that are not audited are overseen by the Board or Board Committees and verified internally by management following due diligence by staff with the expertise to confirm the disclosures within the reports.



Our people

Introduction

For our people to do well, they need to be well. That is why we are committed to the wellbeing of our people and have taken a range of actions to support them.

A newly established Wellbeing Portal provides online tools and resources for all our people, enabling them to manage their wellbeing. We have commenced a wellbeing webinar series which involves external experts providing advice and information to support our people's wellbeing (particularly during COVID-19) and our equip resilience program, providing skills for change and adversity, has been refreshed and relaunched.

Our focus on ensuring our people are supported to manage their work and personal commitments has also resulted in a new flexible work policy enabling choice and supporting the delivery of significant benefits to both individuals and organisational

outcomes. In addition to this activity, we have continued our work in the area of diversity and inclusion. Having a diverse and inclusive workforce is important to us as we want our Bank to reflect the rich diversity of the communities we live in, work with and support.

Diversity of experience, mindset and background inspire our best ideas, help us challenge the status quo and identify better ways of working. Our culture of collaboration and inclusion extends outside our team to all of our stakeholders, including our partners, customers and communities, and in a dynamic operating environment, our diversity will make a difference.

Our code of conduct

The Code of Conduct is a charter designed to ensure all our people are fully aware of their obligations to themselves, their colleagues, their customers, their partners and their community.

It is our pledge to raise industry standards, adhere to legislative requirements 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 policy:** Our general conflicts of interest policy explains conflicts of interest 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.
- **Whistleblower Policy:** This policy supports a culture of integrity and ethical behaviour and sets out a clear process and the protections available for those who want to raise a concern regarding suspected misconduct (Reportable Conduct). This could include concerns related to unethical behaviour, criminal activity, a failure to comply with a legal or regulatory obligation, or a significant breach of the Code of Conduct

or other Group policy. It is supported by a dedicated intranet page which provides our staff with information on why it's so important to raise concerns, links to our externally managed anonymous concerns reporting service and answers to frequently asked questions.

- **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 at least 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 also impose additional restrictions.
- **Anti-Bribery and Corruption policy:** This policy details the Group's expectations about standards of conduct to protect the reputation of the Group and employees. The policy is designed to complement the Group Gift and Entertainment Policy and Code of Conduct and provides guidance to ensure that there is an understanding of the circumstances that may comprise bribery or corruption and the constraints.

Reporting and analysis on de-identified whistleblower data, breaches of our code of conduct and incidents related to bribery or corruption is undertaken regularly in order to identify any trends. This reporting is regularly tabled for discussion at our Board Committee meetings.

The Code of Conduct, Whistleblower Policy, Trading Policy and Anti-Bribery and Corruption Policy are all available on our corporate website.

Remuneration

Our approach to remuneration is balanced and focused on the creation of long-term value.

The view of the Board is that remuneration which is leveraged towards short-term performance can create a disconnect between an individual's interests and the long-term interests of shareholders, other stakeholders and customers. Therefore, our executive remuneration approach is weighted towards fixed remuneration and equity that vests over the longer 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 must be 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 is committed 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, followed by the division and team.
- **Appropriate risk behaviour** – Remuneration should encourage innovation and prudent risk taking that supports the achievement of superior long term results

Remuneration continued

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 previous risk governance assessments, 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.

The remuneration and other terms of employment for Executives and non-executive Directors are contained in formal written agreements.

The Managing Director's and Executives' performance is assessed after year end at a combined meeting of the Governance & HR, Risk and Audit Committees. For the 2020 performance year, the joint meeting was held as part of the Board meeting on 25 August 2020.

The Board Chair and Governance and HR Committee Chair provide input on the Managing Director's performance, and the Managing Director provides an assessment of the other Executives. For the 2020 financial year the Executives had joint objectives for short term incentive awards (STI), however the Committees can use their discretion to make any upward or downward adjustment to determine recommendations for the STI award to the Board. This approach was chosen to enable unforeseen developments to be factored into the assessment and ensure any necessary risk and compliance adjustments occur at the Board's discretion.

The Board may also adjust the number of equity instruments that vest to take into account any unforeseen or unexpected circumstances and risk developments. The Board has absolute discretion to adjust variable remuneration to reflect:

- The outcomes of business activities
- The risks related to the business activities taking into account, where relevant, the cost of the associated capital
- The time necessary for the outcome of those business activities to be reliably measured
- Any provision outlined in the clawback policy.

This includes adjusting performance-based components of remuneration downwards, to zero if appropriate. On an annual basis the Governance & HR Committee reviews the appropriateness of releasing deferred equity components taking into account the Group's performance outlook, risk profile and any other matter that might impact the reputation or financial soundness of the Group.

The remuneration policy mandates that Executives, and their closely related parties, may not enter into a transaction designed to remove the at-risk element of equity-based pay before it has vested, or while it is subject to a trading restriction. The Bank treats compliance with the requirement as important and at the end of each year requires the individuals to confirm they have complied with the restriction. If the restriction is breached the individual will forfeit all equity-based remuneration that is subject to the prohibition at the time of the breach. Our trading policy also prohibits key management personnel and other Executives from using the Bank's securities as collateral in any margin loan arrangements.

With respect to the remuneration of non-executive Directors, there is no direct link between non-executive Director fees and the annual results of the Group. Non-executive Directors do not receive bonuses or incentive payments, nor receive equity-based pay. Shareholders have previously approved an aggregate fee pool for non-executive Directors which covers payments (including superannuation) for the Board members and payments to the Bank's non-executive Directors appointed to subsidiary boards and the Community Bank National Council.

The Governance & HR Committee recommends to the Board the remuneration arrangements for non-executive Directors. The base fee is reviewed and set annually by the Committee and the following considerations are taken into account:

- The scope of responsibilities of non-executive Directors and time commitments. This includes consideration of significant changes to the Group's operations and industry developments which impact workloads and responsibilities at the Board and committee level.
- Fees paid by peer companies and companies of similar market capitalisation and complexity, including survey data and peer analysis to understand the level of Director fees paid in the market, particularly in the banking and finance sector.

Non-executive Directors receive a fixed annual fee inclusive of superannuation. In relation to the superannuation contributions, non-executive Directors can elect to receive amounts above the maximum contributions limit as cash. The Chair receives a higher base fee in recognition of the additional time commitment and responsibilities of that role. No additional fees are paid for serving on Board Committees. Additional fees were paid to non-executive Directors appointed to the Community Bank National Council. A review of the non-executive Director fees has been completed since the end of the financial year. The Board has decided not to increase the annual base fee for the Directors or the Chair.

Diversity and inclusion

Creating a workplace where we belong

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.

“Belonging at BEN” is the organisation’s diversity and inclusion strategy across the 2019 – 2021 period. It is at the heart of our People and Culture vision, it is how we grow a community where people want to work, are valued and belong. The overarching aim of the diversity and inclusion strategy is to create a safe, inclusive and empowering environment where everyone can thrive and to harness the organisational performance benefits that come with a diverse and inclusive workplace. Our Diversity and Inclusion Policy is available on our website.

Our Diversity and Inclusion

Approach and Progress

Our Diversity and Inclusion 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 the Executive Committee play an important role supporting the Board to carry out these responsibilities, along with our approach to diversity and inclusion and gender equality. Each Committee’s role includes annually reviewing progress against our diversity and inclusion measurable objectives.

The 2015 - 2018 approach progressed a broad range of initiatives, with a focus on gender and flexibility. The 2019 - 2021 strategy has built upon this focus, with a concerted shift to a broader approach to inclusion and diversity of thought, background and experience. Our current 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 FY2020
Inclusion, Leadership Capability & Commitment	<ul style="list-style-type: none"> · Create a safe, inclusive and empowering environment for all our people · Create a strong culture of inclusion, ready to reflect the communities we serve today as well as the ones in the future · Create a leadership mindset that seeks diversity and guards against unconscious or conscious bias 	<p>Our Inclusion Program is in good health with the following key achievements:</p> <ul style="list-style-type: none"> · The Belonging at BEN Hub was launched, enabling all our people to learn about and confidently engage with topics of inclusion. The site, accessible to all, includes resources about all our focus areas as well as personal stories of what it means to belong at BEN. · An inclusion review of key People and Culture policies has been undertaken. Changes have included the use of inclusive language and case studies, contemporary representation of all family types and alignment to best practice to address systemic change. Our Family and Domestic Violence and Parental Leave Policies will now stand alone and a new Gender Affirmation Policy is being introduced. · Inclusion questions incorporated as part of our inaugural Engagement Survey have provided us the opportunity to benchmark and measure progress over future years. · Our Leadership Framework also has a focus on inclusion and commences in August 2020, our flagship Leadership development program will have an emphasis on leading inclusively.

Focus Area	Objectives	Progress FY2020
Accessibility	<ul style="list-style-type: none"> · Build an Accessibility Confident organisation · Equip our people with the tools, resources and support they need to do their best work 	<p>In December 2019 we launched our first Access and Inclusion Plan in partnership with the Australian Network on Disability – developed through consultation with senior leaders and BEN Ability, our own employee access and inclusion network.</p> <p>Some highlights this year have included:</p> <ul style="list-style-type: none"> · Dementia Australia Partnership: A year-long partnership involving the development of an eLearning course 'Better Banking for Customers with Dementia', future branch audits to assess our dementia friendliness and future education sessions. · BEN Ability Network: This group has grown to over 70 members, many actively engaged in providing feedback and lived experience on projects requiring an Accessibility lens. · PACE Mentoring program: This program connects students and jobseekers with a disability to mentors. The program builds disability confidence, tackles unconscious bias and develops leadership skills.
LGBTQI+	<ul style="list-style-type: none"> · Create a safe, inclusive and empowering environment for our LGBTQI employees 	<p>The BEN Pride Network, Kaleidoscope, was formed in 2017 and continues to gain new members. Highlights this year include:</p> <ul style="list-style-type: none"> · Strategy session facilitated by our partners Pride in Diversity. · A Pride in Diversity Regional Reach event showcasing our commitment to LGBTIQ inclusion and growing a regional focus. We hosted a full day program of free workshops, a panel discussion and networking opportunities for workplaces and community providers in the Greater Bendigo region. · Celebrating Wear it Purple Day and IDAHOBIT with strong engagement. · Pride Allies workshops. · Sponsorship of Bendigo Pride and Queer Film Festivals.
Cultural Diversity	<ul style="list-style-type: none"> · Increase the representation of people from culturally and linguistically diverse backgrounds in our workforce. · Provide a culturally safe and inclusive workplace. 	<p>Successful cultural diversity initiatives have occurred at the local level, such as celebrating Harmony Day. Initiatives aligned to business activity will commence in late 2020 and will continue into 2021.</p>
Indigenous	<ul style="list-style-type: none"> · Celebrate the culturally and linguistically diverse backgrounds in our indigenous workforce. · Seek to improve banking experiences and employment outcomes for Aboriginal and Torres Strait Islanders. 	<p>The Jawun initiative continues to be the cornerstone investment in building awareness of our Indigenous community amongst our staff, with this program now in virtual mode. 24 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> <p>The creation of our first Reconciliation Action Plan is due to commence in 2021.</p>

Targets and progress on gender equality measurable objectives

We have a proud history of progress in this area. With almost 44% of all managers being women, including our Managing Director and Chair of the Board, 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.

Aligned to the Workplace Gender Equality Agency (WGEA) occupational categories, the measurable objectives to be achieved by FY2021 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 2016	March 2017	March 2018	March 2019	Progress from 2019-2020	March 2020	2021 Target
Bendigo and Adelaide Bank Board	33.3%	33.3%	33.3%	37.5%	-	37.5%	33% (maintain at least)
Chief Executive Officer	0.0%	0.0%	0.0%	100%	-	100%	n/a
Executive Key Management Personnel	44.4%	44.4%	37.5%	33.3%	↓4.7%	28.6%	40%
- Other Executives/ General Managers	23.2%	21.8%	24.8%	28.3%	↑5.6%	33.9%	
- Senior Managers	29.7%	30.0%	30.1%	30.2%	↑4.3%	34.5%	40%
Total Senior Management	28.5%	28.5%	29.1%	30.1%	↑4.3%	34.4%	
Middle & Frontline Management Other Managers	41.8%	44.5%	45.0%	44.6%	↑2.6%	47.2%	50%
Total Managers	38.2%	40.7%	40.6%	40.3%	↑3.3%	43.6%	45%
Total Other Employees	66.8%	66.9%	66.6%	66.1%	-	66.1%	n/a
Total employees	61.0%	61.6%	61.3%	60.7%	↓0.2%	60.5%	n/a

We are pleased to be able to report that this year we have seen our largest increase in female representation in all leadership measures (excluding Board and Executives). Our Total Senior Management cohort has increased by 4.3% overall. The movement of another 5.6% increase within our Other Executives/General Manager ranks is particularly pleasing given this cohort has had minimal shift in prior years. This is a proof point of the years of work we have undertaken to address and track practices that may have

hindered career progression for women. We note the decrease in percentage at the Executive level over the last two years, due to the internal appointment of our first ever female CEO in 2018 and the appointment of a male Chief Transformation Officer in 2020.

Further to our objectives for achieving gender diversity, in July 2019 the Board endorsed an additional set of measurable objectives for 2019-2021. The agreed measurable objectives and our progress is detailed in the table below:

Measure	Target	Achievements
Gender representation by leadership level, by division	Baseline and aim for growth	<ul style="list-style-type: none"> · Baseline set March 2020 · Divisional People Plan includes a Gender Equality Focus · Divisional KPIs agreed
Pay equity	Baseline and aim to reduce any gaps	<ul style="list-style-type: none"> · Baseline completed · Any criteria for adjustments will consider internal relativities, comparison to market data and performance data · Increased focus and support, including transparent remuneration data, for hiring managers
Participation at Senior Leadership level	Address and track practices that may hinder career progression for women to move into Senior Leadership roles	<p>Women in Leadership Divisional KPIs and Gender Equality plans in place and supported by:</p> <ul style="list-style-type: none"> · Gender Equality Toolkit · Divisional consultation with divisions yet to achieve organisational target · Women in Leadership Program · Influential Women in Business Masterclass Series
Successfully attain WGEA Employer of Choice for Gender Equality	Successful achievement	Assessing readiness

Under the Workplace Gender Equality Act, we are required to make annual public filings with WGEA, disclosing the 'Gender Equality Indicators'. These reports are filed annually in respect of 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.

Managing risk

Risk management framework

We have in place a Group risk management framework, approved by the Board, which forms part of the detailed description of the risk management strategy for the Group. Our business is exposed to a broad range of financial and non-financial risks.

The Group Risk Management Framework (Summary) in combination with the following individual risk management frameworks, details the Group's management approach for each of its material risks:

- Group Credit Risk Management Framework
- Group Operational Risk Management Framework
- Group Interest Rate Risk Management Framework
- Group Traded Market Risk Management Framework
- Group Liquidity Risk Management Framework
- Strategic and Other Risks - incorporated in the Group Risk Management Framework (Summary).

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:** 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 our strategy, vision, appetite and values.

- **Management and control:** 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 the Credit Committee with any changes recommended to the Board for approval. The Board also makes an annual Risk Management Declaration to APRA in line with APRA Prudential Standard CPS 220 Risk Management that is signed by the Chairs of the Board and the Risk Committee.

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, the Group continues to address items which have been identified through review work (including a Risk Governance Assessment). Subsequent to the 2020 review, the following revisions to the risk management framework were made, reflecting enhancements to the Group's risk management practices:

- A Board approved risk culture target state and strategy to provide a foundation to measure and manage the Group's risk culture.
- A risk culture model which allows the identification of the critical levers that are most strongly related to a high performing risk culture and design of interventions which drive the biggest impact towards the aspirational (risk management) outcomes.
- A number of sub-frameworks were created to support the Group risk management frameworks and provide greater detail on specific risks within the Group's material risks, for example conduct risk and technology risk, which are within the Operational Risk Management Framework.

Risk Appetite

In accordance with prudential requirements, the Board sets and approves the Group's risk appetite and risk management strategy as part of its overall Group strategy.

All material risks are managed within a defined risk appetite which is aligned with the Group strategy and business objectives. The Board's risk appetite for its material risks are documented in the Group's Risk Appetite Statement (RAS).

The Group's RAS is reviewed, updated and approved annually by the Board.

The measurement and reporting of performance against the Board-approved risk appetite is important to the overall purpose of the RAS, which is to express the level and types of risk that the Group is willing to assume in order to achieve its strategic objectives, business plans and expected shareholder returns. The Group's adherence to the risk appetite is reported regularly to the Board.

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 forming a view of risk culture in the Group, approving the risk appetite capital management plan, funding strategy, changes to the risk management framework, and monitoring the effectiveness of risk management. The Board committees assist the Board in the oversight of risk:

- **Risk Committee:** In relation to the risk appetite and risk management strategy, this Committee provides the Board with objective and active oversight of the Group's risk profile, strategy and risk management framework to manage the Interest Rate Risk, Traded Market Risk, Liquidity Risk and Operational Risk (including non-financial risk) arising from this activity for financial and operational risks relative to the approved risk appetite and capital base. In addition, the Committee monitors new and emerging material risk, oversees compliance with risk management strategies, policies, tolerances, limits and management delegations, and monitors the organisation's risk culture.
- **Credit Committee:** In relation to the credit risk appetite and credit risk management strategy, this Committee provides the Board with objective and active oversight of the credit risk appetite, strategy, profile and risk management framework established to manage the credit risk arising from this activity. In addition, the Committee monitors new and emerging material risk, oversees compliance with credit risk management strategies, policies, tolerances, limits and management delegations, and monitors the organisation's credit risk culture.
- **Governance & HR Committee:** this Committee oversees the risk management framework for remuneration risk.
- **Audit Committee:** In relation to financial reporting and taxation risk, this Committee oversees the effectiveness of the internal control and risk management framework.
- **Technology Committee:** this Committee refers material risks identified in relation to emerging trends, regulatory developments and technology operations to the Board Risk Committee.

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

- Executive Committee
- Operational Risk Committee
- Asset and Liability Management Committee
- Management Credit Committee
- Rural Bank Management Credit Committee
- Risk Models Committee
- Group Work Health and Safety and Security Management Committee

The Management Committees are supported by several management sub-committees.

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

- **Ownership (First Line):** the first line of defence is the business itself. The day to day responsibility for managing risk rests with the Executive management team and business units. The Executives are responsible for implementing the risk management strategy and developing strategies, policies and controls to manage risk in line with the Group's risk appetite. The business divisions are responsible for identifying, assessing and implementing systems and controls to manage the risks associated with business activities.
- **Challenge and oversight (Second Line):** the second line of defence is Group Risk. Group Risk provides oversight and challenge to the first line. The second line of defence has independent oversight of the Group's risk profile as well as the development and enhancement of the Group risk management framework, policies, systems and processes, as well as monitoring compliance and reporting. The Group Risk functions include credit risk, operational risk, financial crime risk, financial risk, and modelling, and risk governance and analytics.
- **Independent assurance (Third Line):** the third line of defence is the Group Assurance function (internal audit) which 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.

Environmental and social risks

Our environmental and social risks and how we manage, or intend to manage them, are discussed below. Further information is set out in our 2020 Annual Review.

Environmental risks

Environmental risks include the risks of adverse consequences of our direct impact on the environment and our indirect impact through our business operations. Environmental and climate change risks impact our customers, the communities in which they live and the industries in which they earn a livelihood. We support long term strategies that aim to reduce our environmental footprint and our exposure to climate change risks. We have commenced implementation of our Climate Change Action Strategy following the recent adoption of our Climate Change Policy Statement which identifies the key focus areas in our Climate Change Action Plan.

Our Climate Change Policy Statement is:

"We recognise climate change has far-reaching risks for the environment, the economy, society, our customers, their communities and in turn, the Bank. We support the Paris Agreement objectives and the required transition to a low carbon economy. We are committed to playing our part in this transition. We will work to build climate mitigation and adaptation into our business and work to assist our customers and their communities to build climate resilience into their futures."

Our business is therefore committed to:

- Actively identifying opportunities and setting targets to improve the environmental impact of our operations and educating our staff to realise these opportunities.
- Learning from best practices to reduce our environmental footprint.
- Engaging with our staff, customers, partners, shareholders and communities to share our understanding of climate change impacts and to identify opportunities for climate change solutions.
- Optimising our climate change risk governance by embedding climate change risk into our risk management, strategy and business planning processes.
- Building a culture of commitment and accountability amongst our workforce to implement our climate change action plan.
- Measuring and reporting our climate related metrics and our performance against them.
- Working with staff, customers, partners and supply chain stakeholders to make a difference.

We are maturing our approach to reporting while we build our knowledge and implement our action strategy. We have undertaken pilot stress testing of part of our residential and agribusiness portfolios, and will further build this as part of implementing our Climate Change Action Plan. We also aim to build resilience into our business model through embedded climate risk analysis for lending policy and by growing diversification of revenue streams. We will be undertaking climate scenario analysis to assess potential risks and opportunities and integrating the outcomes into our business

planning. We recognise that environmental and climate-related risks will have a material impact on the communities and businesses we operate in and we are committed to implementing our approach to climate governance, strategy, risk management, metrics and targets in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

We are committed to the outcomes of our Climate Change Action Plan. Examples of these outcomes are:

- Embedding the impact of climate change into all key business decisions including procurement processes.
- Increasing the levels of renewable energy purchased by the Bank.
- Conducting and supporting solar energy trials across the branch network.
- Not lending directly to projects in carbon intensive industries such as coal and coal seam gas sectors.
- Providing disclosure of our carbon emissions and identifying emission improvement initiatives.
- Developing and participating in initiatives that offset our environmental impact, while educating and encouraging others to do the same.

More information is available from our website at https://www.bendigoadelaide.com.au/public/in_the_community/sustainable_communities.asp and in our 2020 Annual Review (available from our website).

Social risks

As noted above, the Bank's vision is to be Australia's bank of choice and we are driven by our purpose to feed into the prosperity of customers and communities. While the Bank's expertise is financial services, managing social risk and contributing to sustainability provides a strong and stable foundation for everything the Bank does. Executing on this is critical to success and enables the Bank to maintain and develop trust in its ability to deliver solutions that benefit all key stakeholders. There are numerous examples of how the Bank works to mitigate and help resolve various social risks impacting its key stakeholders.

Supporting customers through COVID-19

COVID-19 has had a significant impact on all aspects of life in Australia, particularly how Australians work and manage businesses. The Bank is fully committed to supporting customers and communities through this unprecedented time, implementing measures designed to provide relief from COVID-19 as restrictions change and the economic ramifications are felt. More than 20,000 of the Bank's personal and business customer accounts have accepted dedicated support to help them sustain their livelihoods through the economic impacts of COVID-19.

Through this time, the Bank contacted business and agribusiness customers individually to understand the impact on their operations and to help them navigate the support available from both the Bank and the Australian Government.

The Bank introduced a range of assistance measures to ensure short and long term support for business, consumer and agribusiness customers affected by COVID-19. These included;

- Home Loan and Business Loan customers could apply for relief on loans for up to six months from March 2020 and up to a further four months from September for eligible customers
- The Business Support Loan which gives businesses access to working capital, no repayments for the first six months and requires no asset security for loans up to \$250,000
- Discounted interest rates on new personal loans taken out by existing Bendigo Bank customers
- Waiver of interest rate reduction for early withdrawals on term deposits prior to maturity
- Deferral of payments and extensions for Equipment Finance on a case by case basis

The Bank also reduced various consumer and business loan rates during the onset of COVID-19 to assist customers in navigating the challenges ahead.

Bushfire emergency support

This past year has been devastating for many of the Bank's customers and communities as one of the worst bushfire seasons on record unfolded. In January 2020, the Bank launched national and state-based appeals to help those impacted by bushfires, with more than \$46 million raised in FY2020 from more than 144,000 generous donors. Importantly, 100 percent of the funds raised will be distributed directly to affected communities, with distribution decisions being recommended by local communities, for local communities.

Managing supply chain

The Bank forges long term relationships with suppliers to ensure stakeholder value is maximised on a sustainable basis. In doing so, it is best placed to understand how environmental, social and governance risks might impact a supplier's business operations and both parties can work together to address potential issues.

During the onset of COVID-19, the Bank engaged its critical suppliers to seek reassurance regarding their preparedness for the pandemic, and any foreseen disruption to their business operations.

Approach to procurement

Wherever possible, the Bank and its Community Bank partners seek to make further contributions to local economies by sourcing products and services from nearby businesses. As an example, the Bank spent more than \$14 million last financial year on goods and services procured in the Bendigo region (where the Bank has its headquarters). Support for local businesses stimulates local economies and generates employment opportunities.

COVID-19 has prompted Australians to consider where they source their goods and services, with many opting to buy local to ensure Australian industries remain as strong as possible. The Bank has also taken this approach and has procured a significant number of hand sanitising stations from an Australian supplier, which will become a long-term fixture in each of its corporate offices and throughout the branch network.

Modern Slavery

The Bank has recently finalised its Slavery and Human Trafficking policy. This internal policy outlines the Bank's principles and practices which are designed to reduce the risk that slavery or human trafficking are present within its supply chain or operations.

The Bank's policy has been formulated to comply with the Commonwealth Modern Slavery Act 2018, which requires the Bank to publish an Annual Modern Slavery Statement approved by the Board. This statement will be published by 31 March 2021.

Responsible Investment

The Bank takes an ethical approach to its investment activity. Aligned with its purpose, the core focus and proposition of investment has always been on communities and community-based lending rather than on large corporations. As an example, the Bank's Community Bank model sees revenues returned to communities in which those profits are generated, backed by local governance to ensure decisions are made ethically and sustainably. Some other examples include:

- Not lending directly to projects in the coal and coal seam gas sectors. The Bank has taken a pragmatic approach that says it makes no sense to broaden its footprint by starting to do so.
- The Bank's Animal Welfare and Livestock Farming Policy Statement, which outlines the Bank's expectation of customers working with animals and livestock on farms. The Bank always encourages, and where possible, positively influences sustainable farming practices across the agricultural supply chain, prioritising animal welfare and supporting sustainable livestock farming practices. It expects customers to comply with animal welfare laws and commit to sustainable livestock farming practices and operate in accordance with its Animal Welfare and Livestock Farming Policy. <https://www.bendigoadelaide.com.au/esg/social/animal-welfare/>
- Through Sandhurst Trustees, the Bank's wealth management arm, the Bank offers customers a socially responsible investment growth fund which is available for direct investment or via its Bendigo SmartStart Super product. Certified by the Responsible Investment Association of Australasia, the Socially Responsible Growth Fund applies various environmental, social and governance scoring systems to allocate investment towards businesses that use better and improving practices. A long-term investment for the socially conscious, the product limits or avoids investment in companies with significant involvement in gambling, arms trade, or other activities that the Bank considers having an adverse overall effect on the environment or human rights. It also combines environmental, social, and corporate governance standards while striving for strong, long-term returns for investors.

Anti-bribery and corruption

As noted above, the Bank has implemented its anti-bribery and corruption policy which outlines its intent to not engage in bribery or corruption and to comply with State and Federal anti-bribery and corruption laws. The policy provides clarity in relation to the Bank's expectation about standards of conduct of all staff in respect of bribes and corruption, gifts and entertainment, political donations and inaccurate records. The full policy can be viewed on our website here: <https://www.bendigoadelaide.com.au/globalassets/documents/bendigoadelaide/governance/policies/anti-bribery-and-corruption-policy.pdf>

Australia's Bank of Choice

Corporate Governance Statement 2020

Bendigo and Adelaide Bank Limited.

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