

**Policy**

**External Audit  
Independence Policy**

Group Internal Audit

Version 15

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# OVERVIEW

## BACKGROUND

This Policy is consistent with:

- Corporations Act 2001 which contains a range of Auditor independence requirements;
- The ASX's Corporate Governance Principles;
- Relevant Prudential Standards; and
- APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

## PURPOSE

The objective of this Policy is:

- To guide the appointment of an independent External Auditor;
- To identify the key External Auditor independence and disclosure requirements;
- To outline the requirements for rotating the External Auditor engagement partners; and
- To ensure that Bendigo and Adelaide Bank and its related entities comply with legislative, prudential and professional standards relating to External Auditor independence.

## APPLICATION

This Policy applies to all Group External Audit engagements covering all Bendigo and Adelaide Bank related entities.

In relation to Bendigo Superannuation Pty Limited (BEN Super) as a registrable superannuation entity licensee, all requirements and the operation of this Policy are to be met through its Audit, Risk and Compliance Committee, in line with its Charter.

# POLICY

## 1 APPPOINTMENT OF THE EXTERNAL AUDITOR

Bendigo and Adelaide Bank Limited (the Bank) is required to appoint an independent External Auditor with the appropriate skills, knowledge and experience to contribute to:

- The integrity of the Bank's financial reporting;
- Fulfilling the role and responsibilities of the Auditor appointed under APRA APS 310 and SPS 310; and
- Auditing the Bank for the purposes of the Corporations Act.

The External Auditor appointed for the purposes of prudential standards may be the same Auditor who audits the entity for the purposes of the Corporations Act 2001 (Cth).

The terms of engagement of the External Auditor must be set out in a legally binding contract between the entity and the Auditor, and must cover a variety of matters set out in the prudential standards (Section 11 of APS 310 and Section 7 of SPS 310).

The External Auditor responsibilities include submitting directly to APRA all reports required to be produced under prudential standard APS 310 and SPS 310.

### 1.1 Selection and appointment of the External Auditor

#### 1.1.1 Assessment

The following factors are assessed as part of the External Auditor selection process.

- Professional standing, reputation, relevant experience and independence.
- Adequate resources including relevant industry and technical expertise.
- Ability to provide quality and efficient audit services.

#### 1.1.2 Selection criteria

Proposed selection criteria will be developed by the Group Board Audit Committee; and then recommended to the Bendigo and Adelaide Bank Board for adoption, having regard to the above assessment considerations.

#### 1.1.3 Selection Process

The Group Board Audit Committee has the responsibility to recommend to the Bendigo and Adelaide Bank Board appropriate procedures for the selection, appointment and reappointment of the External Auditor.

### 1.1.4 Appointment

It is the responsibility of the Group Board Audit Committee to consult relevant stakeholders in facilitating the appointment of the External Auditors. It is the responsibility of the Group Board Audit Committee to make recommendations to the Bendigo and Adelaide Bank Board on the appointment and removal of the External Auditor, the scope of the External Audit, engagement terms and the remuneration of the Auditor.

## 2 INDEPENDENCE REQUIREMENTS AND DIRECTORS' REPORT DISCLOSURES

### 2.1 External Auditor's independence declaration

If an Auditor conducts an Audit for a financial year or half year, then the Auditor must give the Directors a written declaration that to the best of the Auditor's knowledge and belief that:

- There have been no contraventions of External Auditor independence requirements (both general and specific) of the Corporations Act in relation to the audit and any applicable code of professional conduct in relation to the audit review; or
- The only contraventions of the above are those contraventions which are set out in the declaration.

Examples of independence requirements are:

- Identifying, disclosing and managing conflicts of interest;
- Current or former officer or audit critical employee;
- Non-Audit services;
- Restrictions on Auditors being employed by audit clients;
- Restrictions on Auditors holding investments in audit clients;
- Multiple former audit firm partners or audit company Directors.

### 2.2 Restrictions on Auditors being employed by audit clients

A former member of an audit firm, or Director of an audit company, who was a professional member of the audit team (including lead and review partners) in the conduct of an audit at any time before their departure from the audit firm or company, cannot become an officer (Director, Company Secretary or Senior Manager) of an audit client (including any related body corporate) until 2 years from the date of the last audit report in which they were involved in preparing.

## 2.3 Non-audit services disclosures

The Directors' Report must disclose details of the amount paid or payable to the Auditor for each category of non-audit service provided by the External Auditor to a member of the Group during the financial year.

The Directors' Report must also contain a statement outlining whether the Directors are satisfied, together with their reasons, that the provision of non-audit services by the Auditor during the year was compatible with the general standard of independence for Auditors imposed by the Corporations Act. This statement must be consistent with recommendations provided by the Group Board Audit Committee. The Group Board Audit Committee's recommendation must be provided to the Bendigo and Adelaide Bank Board. The approach for assessing the provision of non-audit services is set out in Section 4 below.

## 2.4 Auditor independence quality control system

The External Auditor must maintain a quality control system that provides assurance that its independence will not be impaired.

# 3 BENDIGO AND ADELAIDE BANK SPECIFIC AUDITOR INDEPENDENCE REQUIREMENTS

Compliance with the following Bendigo and Adelaide Bank specific requirements must be confirmed by the External Auditor for each reporting period.

### Financial relationships:

- The External Audit Firm, any member of the audit engagement team, or any of his or her immediate family must not have a direct or indirect investment in the Group's securities.
- The External Audit Firm or Engagement Partner must not have effective control over superannuation fund investments in Group securities.
- The External Audit Firm must not have a material financial interest in an entity that has a material interest in the Group.
- Any External Audit Partners, member of the audit engagement team and managerial employees who provide non-audit services to the Group, as well as members of their immediate families, must not have a direct or indirect investment in the Group securities.
- The External Audit Firm, or any member of the audit engagement team, or associate of the audit engagement team, must not have a business relationship with the Group or any of its officers.

### Banking products and services:

The External Audit Firm, any partner of the External Audit Firm, members of the audit engagement team, or any of their immediate family, must not hold any account, investment or debt with the Group, other than accounts, investments or debts acquired

or provided in the ordinary course of the Group's business and on terms and conditions that normally apply.

**Confirmation that:**

- The Group has not withheld payment of External Audit fees at any time;
- No portion of fees paid by the Group to the Auditor is paid on a contingency basis;
- There are no overdue fees owed to the External Auditor from the Group, for past audit and non-audit services rendered;
- There is no litigation between the Group and the Auditor;
- The compensation of the audit engagement team members is not linked to the provision of non-audit services; and
- The Auditor has not accepted or provided gifts or hospitality to Group employees and Directors other than what is commensurate with social and professional courtesies.

Please note that the requirements above are not an exhaustive list, and does not limit the responsibility of the External Auditor to declare any other matter which they are aware of, which may in fact or in appearance, to a reasonably informed third party, compromise their independence.

## 4 NON-AUDIT SERVICES

### 4.1 Non-Audit services categorisation

Since August 2020, the Group has voluntarily adopted industry-wide definitions of non-audit services within the financial statement disclosures, as recommended in the interim report from the Parliamentary inquiry into the regulation of auditing in Australia. For the purposes of this Policy, categories 2 through 4 are deemed non-audit services, as outlined below:

- **Category 2 – Audit Related Services:** This includes fees for assurance services that are required by legislation to be provided by the Auditor. These services include assurance of the Group's compliance with Australian Financial Services Licence (AFSL) requirements.
- **Category 3 – Other Assurance Services:** This includes fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the Auditor or another firm. As an example an APS 310 'Audit and Related Matters' engagement, APS 910 'Financial Claims Scheme' engagement, or Portfolio Funding agreed upon procedures would fit into this category.
- **Category 4 – Other Related Services:** All other fees paid by the Group and non-consolidated entities, including taxation services, other advice, and all other non-audit services.

## 4.2 Non-Audit Services Requiring Pre-Approval

All non-audit engagements delivered by the External Audit Firm are prohibited unless approved in advance by the Group Board Audit Committee, or, by the sub-delegates. As noted by the International Ethics Standards Board for Accountants (IESBA), non-audit services can only be approved by Those Charged With Governance (TCWG), for which only a Director(s) meets the required definition.

The Group Board Audit Committee delegates the approval of non-audit services to the value of \$100,000 (excluding GST) to the Chair of the Group Board Audit Committee, and, to the value of \$200,000 (excluding GST) for the Chair of the Group Board Audit Committee and one other member of the Group Board Audit Committee.

The Group Board Audit Committee is to be advised of all such approvals made by the sub-delegates at their next scheduled meeting.

The Head of Group Internal Audit is responsible for coordinating requests for BAC (or sub-delegate) approval.

The management submission for Group Board Audit Committee or sub-delegate approval must include a full assessment of the proposed non-audit services' actual and potential impact upon the Auditor's independence, and reference, for the Approver's information and assessment, the proposed safeguards which will be put in place to ensure that any actual or perceived threats to the External Auditors' independence will be reduced to an acceptable level.

In addition, although such requests may be submitted by management and approved by the Group Board Audit Committee or sub-delegate, it is incumbent on the External Auditor to immediately notify the Bank whether they subsequently become aware of any further information/circumstances unknown to the Bank at the time of the submission was made and approved, which may cause the acceptance of such work to compromise their independence.

## 4.3 Prohibited Non-Audit Services

In some circumstances, there are no level of safeguards that can be applied to proposed non-audit Services, which can reduce the perceived or actual threat to the External Auditor's independence to an acceptable level, and hence, are prohibited by the Group Board Audit Committee.

Under this Policy, the External Auditor is prohibited from:

- Assuming managerial responsibilities, including acting in or participating in a decision-making capacity or acting as an employee or advocate for the Bank;
- Providing book keeping, or other services related to the accounting records and / or financial statements of the Bank and its related entities, including their preparation;
- Providing appraisal or valuation services;
- Providing internal audit services;
- Providing legal services;
- Providing human resources and recruiting services;
- Providing actuary services (outside external audit);
- Designing and implementing financial information systems;



- Designing or implementing internal controls over financial reporting and accounting records;
- Providing corporate finance services, such as assisting in the development of corporate strategies and KPI's;
- Performing audits on the External Auditor's own professional expertise;
- Performance of any non-audit services that may create a self-review threat (regardless of safeguards and/or materiality), and
- Providing any other service that the Group Board Audit Committee determines, by regulation, is impermissible.

## 4.4 Standing Exemptions

The Group Board Audit Committee has approved the following standing exemption from the condition that individual engagements require Group Board Audit Committee or sub-delegate pre-approval, on the basis that the exemption does not conflict with the independence of the External Auditor:

Permitted services such as those required by APRA and Euro Medium Term Note (EMTN prospectus), which are detailed in the External Audit Plan and are approved annually by the Group Board Audit Committee. Only if the nature of the work or the fee materially differs from the approved plan is a separate submission required.

For the purpose of fee materiality a variance greater than 10% of the quoted fee is to be referred to the Group Board Audit Committee for information.

## 4.5 Cost of Non-Audit Services

The total cost of the non-audit services provided by the External Auditor in a given financial year must not exceed 50 percent of the total External Audit engagement fees (being those fees to be paid to the External Auditor for Audit and Review of Financial Statements, including those fees relating to the annual audit of Sandhurst Trustees Limited's Funds and not including any other services defined as 'non-audit') for that year without the Group Board Audit Committee being immediately advised, to ensure that this can be monitored and managed accordingly and that any perceived threat to the External Auditor's independence can be appropriately managed.

In addition:

- Once this threshold is exceeded, all subsequent requests for non-audit Services can only be approved by the Group Board Audit Committee, and not the sub-delegates; and
- The External Auditor must not allow an Auditor who provided non-audit Services to participate in audit related work, for a period of twelve months following the completion of the non-audit Services.

## 4.6 Non-Audit Services Attestation

During each Board Audit Committee meeting, an attestation will be provided from:

- The Head of Group Internal Audit to advise of any approvals made by sub-delegates of the Board Audit Committee since the date of the last meeting.
- The CFO to advise whether the remuneration for non-audit services, as a proportion of the total audit services has not exceeded the monitoring threshold of 50%.

## 5 ENGAGEMENT PARTNER ROTATION

A person who plays a significant role in executing External Audits must rotate to ensure the independence and integrity of the External Audit engagement.

A person plays a significant role in the audit if the person is the lead or review partner.

The partner rotation position approved for the current Auditor, Ernst & Young, requires that a person who plays a significant role in the External Audit must rotate if they have acted in that role for five successive years or, if they were to act, they would have played a significant role for more than five out of seven successive financial years. In such cases a person must not play a significant role in the External Audit for at least two successive financial years.

It is the responsibility of the Group Board Audit Committee to make recommendations to the Bendigo and Adelaide Bank Board on the rotation of External Audit Engagement Partners.

## GOVERNANCE

### DOCUMENT OWNER

The relevant owner of this Policy is the Head of Group Internal Audit.

### APPROVAL

Responsibility	Party
Reviewed by	Head of Group Internal Audit
Approved by	Group Board Audit Committee

### REVIEW

This Policy is to be reviewed and submitted for consideration for approval at least once every two years.

### RELATED DOCUMENTS

Related regulation, policies, references and standards that should be read in conjunction with this Policy include:

- Corporations Act
- ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
- APS 310 and SPS 310 Audit and Related Matters
- CPS 510 Governance
- Code of Ethics for Professional Accountants 110
- Subsidiary Audit Policy
- Fit and Proper Policy

## DOCUMENT CONTROL TABLE

Version No:	Approved By	Date Approved	Date Applicable	Next Review Date	Document Owner
1.0	Audit Committee	May 2005	On approval	April 2006	Head of Group Assurance
2.0	Audit Committee	April 2006	On approval	May 2007	Head of Group Assurance
3.0	Audit Committee	May 2007	On approval	April 2008	Head of Group Assurance
4.0	Audit Committee	April 2008	On approval	April 2009	Head of Group Assurance
5.0	Audit Committee	April 2009	On approval	June 2010	Head of Group Assurance
6.0	Audit Committee	June 2010	On approval	November 2011	Head of Group Assurance
7.0	Audit Committee	November 2011	On approval	November 2013	Head of Group Assurance
8.0	Audit Committee	November 2013	On approval	November 2015	Head of Group Assurance
9.0	Audit Committee	November 2015	On approval	November 2017	Head of Group Assurance
10.0	Audit Committee	August 2017	On Approval	August 2019	Head of Group Assurance
11.0	Audit Committee	November 2019	On Approval	November 2021	Head of Group Assurance
12.0	Board Audit Committee	January 2021	On Approval	November 2021	Head of Group Assurance
13.0	Board Audit Committee	June 2022	On Approval	June 2024	Head of Group Internal Audit
14.0	Board Audit Committee	February 2023	On Approval	February 2024	Head of Group Internal Audit
15.0	Board Audit Committee	June 2023	On Approval	June 2025	Head of Group Internal Audit