

Board Charter

1. Purpose

The Board Charter:

- 1.1 Sets out the functions and powers of the Board; and
- 1.2 Describes the respective roles of the Board and the CEO and their respective relationships with Management.

2 Context

- 2.1 The Bank **Objective** is to create long term shareholder value for its shareholders through providing financial services to its customers, and producing sustained best-in-industry performance in safety, community reputation and environmental impact.
- 2.2 The Bank's **Vision** is to be Australia's finest financial services organisation through excelling in customer service.
- 2.3 The values of the Bank are trust, honesty and integrity. The Board carries out the legal duties of its role in accordance with those values and having appropriate regard to the interests of the Bank's customers, shareholders, staff and the broader community in which the Bank operates.

3 The Status of the Board and Management

- 3.1 The Board is appointed by the shareholders to direct and control the Bank. Non-Executive Directors will be in a clear majority on the Board, and be able to form an independent view of the recommendations and performance of management. This requires that Non-Executive Directors are not part of the Bank's management.
- 3.2 The respective roles that the Board has reserved for itself, and delegated to management, must be viewed in this context.

4 Composition, Renewal and Review of the Board

- 4.1 The size of the Board is determined in accordance with the Bank's Constitution.
- 4.2 The policy of the Board is that Non-Executive Directors are normally expected to serve a term of six years from the date of first election by shareholders, subject to re-election by shareholders as required under the Constitution and the ASX Listing Rules. That term may be extended to nine years where, at the end of the initial six year period, the Board determines that such an extension would be a benefit to the Bank and the Director is agreeable. On an exceptional basis, the Board may annually exercise its discretion to further extend the term of a Director should circumstances deem it appropriate, subject to the total term of appointment not exceeding twelve years. The Chairman, who must be an Independent Non-Executive Director, would normally be expected to serve a term of at least five years

in that capacity. One third of Directors (other than the Managing Director) must retire at each Annual General Meeting (AGM) of the Bank and, if nominated, may stand for re-election.

- 4.3 The Board has established Independence Guidelines for Directors (which are attached to this Charter) and Directors are assessed annually against these Guidelines.
- 4.4 The Board has in place a policy for renewal whereby:
- It has developed a set of criteria for Director appointments;
 - Professional intermediaries are engaged to identify potential candidates based on the identified criteria; and
 - The Board Performance & Renewal Committee will assess the skills and experience of the candidates as well as take into account other attributes such as diversity, to ensure that any appointment decisions are made in line with the objectives of the Board.
- 4.5 The Board will annually review its performance, policies and practices and review the performance of its Committees and each Director. The results of the review of individual Directors will be taken into account by the Board in determining its assessment of the Directors to stand for re-election at the next AGM.

5 Committees

- 5.1 The Board may establish committees, including ad hoc committees, as considered necessary to assist in carrying out its functions. The Board will determine, and review as appropriate, the charters and membership of its committees.
- 5.2 The standing committees of the Board are:
- Audit Committee;
 - Risk Committee;
 - Remuneration Committee: and
 - Board Performance & Renewal Committee.

6 Powers reserved for the Board

The Board is responsible for and has the following powers reserved to it:

- 6.1 Corporate Governance of the Bank, including the establishment and empowerment of Committees of the Board to assist in its functions;
- 6.2 Adherence to the 'if not, why not' principles based approach of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations;
- 6.3 Overseeing the business and affairs of the Bank by:
- establishing, with management, and approving the strategies and financial objectives to be implemented by management;
 - approving major corporate initiatives;

- approving the undertaking of new business ventures in new countries;
 - approving capital expenditure and acquisitions and divestments in excess of limits delegated to management;
 - approving capital management initiatives;
 - overseeing the establishment of systems of risk management by approving accounting policies, financial statements and reports, credit policies and standards, risk management policies, operational risk policies and procedures and systems of internal controls;
 - monitoring the performance of management directly and through its Committees; and
 - carrying out the functions specifically reserved to the Board and its Committees under the policies of the Board and the charters of those Committees.
- 6.4 Approval of documents (including reports and statements to shareholders) required by the Bank's Constitution, the Corporations Act and other applicable regulation;
- 6.5 Appointing the Chief Executive Officer (CEO) and determining all aspects of the employment of the CEO. The Board is the final approval authority for appointment, remuneration, annual remuneration review and performance appraisal for the CEO, the CEO's direct reports, and for remuneration for other responsible persons whose activities are deemed to affect the financial soundness of the Group. The Board also approves the appointment of the Heads of major subsidiaries;
- 6.6 Considering recommendations by the Remuneration Committee relating to the remuneration frameworks for persons whose primary role is risk management, compliance, internal audit or financial control and all other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of the Group;
- 6.7 Considering the recommendations of the Remuneration Committee regarding the design of new Group employee equity plans as well as changes to existing Group employee equity plans;
- 6.8 Approval of the Bank's Remuneration Policy and overseeing the development strategies for senior and high performing executives including succession planning for the CEO and Group Executive positions;
- 6.9 Reviewing, at least annually, diversity initiatives and progress, monitoring female development plans across the Group and reviewing and reporting on the relative proportion of women and men in the workforce at all levels across the Group;
- 6.10 Monitoring and providing input to management on people-related matters, including:
- leadership, performance and talent pool;
 - safety management,
 - legislative developments likely to have a significant impact on the Group and legislative compliance in employment issues;
 - industrial agreements likely to have a significant impact on the Group; and
 - succession planning and management development plans operating across the Group.
- 6.11 The issue or cancellation of securities in the Bank.

6.12 The Board retains the right to alter the matters reserved for its decision.

7 Functions

- 7.1 In carrying out its role, the Board will operate in a manner reflecting the Bank's values and in accordance with its agreed Corporate Governance Guidelines, the Bank's Constitution, the Corporations Act, Prudential Standards and other applicable regulations.
- 7.2 Directors of the Board will be available to meet with the Australian Prudential Regulation Authority (APRA) on request.

8 Powers delegated

- 8.1 Beyond the powers reserved in 6. above, the Board delegates to the CEO authority to achieve the Bank Objective. Within this delegation, the CEO is free to take all decisions and actions to achieve the Bank Objective, but taking into account the accountability and reporting obligations and the CEO Requirements listed below.

9 Accountability and Reporting

- 9.1 The CEO is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Bank.
- 9.2 The Board will monitor the actions of the CEO and the performance of the Bank through:
- consideration of reports and presentations prepared by management for the Board and its Committees;
 - discussion with and questioning of management at Board and Committee meetings; and
 - dialogue with management outside formal meetings through arrangements agreed with the Chairman and CEO.
- 9.3 The Board and Committees may make direct requests for information including from the CEO, any employee of the Bank, the external auditor or any third party.
- 9.4 The CEO will ensure that reports are provided to the Board and Committees in a timely manner and contain information adequate to:
- assist the Board establish, with management, and approve the strategies and financial objectives to be implemented by management;
 - enable the Board to monitor the implementation of the strategies; and
 - enable the Board to monitor the business and financial performance of the Bank and material events in markets relevant to the Bank.
- 9.5 The CEO will ensure that all reports are prepared and presented in a spirit of openness and trust and with the Chairman of the Board, each Chairman of a Committee, the CEO and the Company Secretary strive to ensure that effective systems are in place for the production and transmission of information and reports.
- 9.6 Relationships and dialogues between individual Directors with the CEO and with senior executives are encouraged but will not alter the roles, accountabilities and

divisions of authority set out in this document. These dialogues should allow Directors to:

- provide advice to executives on subjects in which the Director has business expertise, and
- achieve a better understanding of all areas of the Group's businesses.

Any such dialogues shall be subject to the following:

- the CEO should be aware of them,
- they should not be private, nor extend to executive career development or personal performance, and
- except for contact between Committee Chairs and the relevant functional executives, e.g. between the Audit Committee Chair and the CFO, such discussions should not be commonplace or develop into a routine, except around the normal course of Board and Education meetings

10 CEO Requirements

All actions and decisions of the CEO will be guided by the Bank Objective.

10.1 The CEO will not engage in or permit any activity or behaviour that violates the highest standards of business practice and ethics.

10.2 The CEO is responsible for:

- the day to day management of the Bank;
- instilling in the Bank a culture of trust, honesty, integrity in relationships amongst those involved in or affected by the Bank's activities;
- assessing the impact on the Bank Objective and financial position when allocating the Bank's resources or capital, approving operating expenditure or making major financial decisions;
- the assessment of the health and safety consequences and reputation consequences of decisions or actions taken by the Bank;
- implementing a system, including a system of internal controls and audits, to identify and manage risks that are material to the business of the Bank;
- maintaining a system for measuring the level of satisfaction of customers with the Bank's service;
- implementing a system of employment that is fair, safe, challenging and rewarding and building a culture of trust and team spirit;
- Implementing appropriate processes for recruitment and talent identification development, succession and retention across the Bank;
- maintaining policies and processes to ensure that all appropriate information is disclosed to shareholders and the market in a timely fashion and in compliance with all regulatory requirements; and
- maintaining a comprehensive set of management delegations to allow management to carry on the business of the Bank.

11 Appraisal and Reward

- 11.1 The Board will ensure that the Bank's remuneration policies align employees with the Bank Objective.
- 11.2 The Board will structure the CEO's remuneration so as to link reward with the strategic goals and the Bank Objective, and to that end the Board will, each year:
- undertake an evaluation of the CEO's performance by reference to targets set by it; and
 - reward the CEO based on performance against those targets.

12 Other Board Activities

At the CEO's discretion, and normally following discussion with the Chairman, the CEO may request that Non-Executive Directors undertake additional roles which may include:

- 12.1 Mentoring groups or individuals where the Directors' deep experience would be valuable; and
- 12.2 In their capacity as a Director, represent the Bank at external meetings or functions.

Independence Guidelines

The Board regularly assesses the independence of each Director. For this purpose an independent Director is a Non-Executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.

In addition to being required to conduct themselves in accordance with the ethical policies of the Bank, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Bank's policies.

Each Director may from time to time have personal dealings with the Bank. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Bank. Details of offices held by Directors with other organisations are set out in the Directors' Report and on the Bank's website. Full details of related party dealings are set out in notes to the Company's accounts as required by law.

All the current Non-Executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director as referred to above;
- Where applicable, the related party dealings referable to each Director, noting that those dealings are not material under accounting standards;
- That no Director is, or has been associated directly with, a substantial shareholder of the Bank;

- That no Non-Executive Director has ever been employed by the Bank or any of its subsidiaries;
- That no Non-Executive Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Bank which is material under accounting standards; and
- That no Non-Executive Director personally carries on any role for the Bank otherwise than as a Director of the Bank.
- That no Non-Executive Director has a material contractual relationship with the Bank or another member of the Group, otherwise than as a Director of the Bank.

The Board also gives consideration to whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Bank. Independence is judged against the ability, integrity and willingness of the Director to act. The Board has established a policy limiting Directors' tenures to ensure that skill sets remain appropriate in a dynamic industry.

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