

## **BEYOND BANK AUSTRALIA**

### **Policy: Independence of Directors**

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#### **An overview of this Policy:**

The Beyond Bank Australia Group ('Group') is committed to adopting the highest standards of corporate governance. It is a requirement of Prudential Standard CPS 510 Governance ('CPS 510') that the Board of a regulated institution must have a majority of independent Directors at all times. Furthermore, the Chair of the Board must be an independent Director of the regulated institution. This is consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

CPS 510 contains a definition of independence and a number of circumstances (not exhaustive) that will not meet the test of independence (as per Box 2.1 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd Edition 2007)).

#### **Objective**

The objective of this policy is to:

- specify the test that will be used by the Nomination Committee to assess the independence of each Director;
- identify the information that will be collected from each Director to make the assessment of independence; and
- outline the disclosure to customers of the assessment of independence of Directors, including the disclosure of any relationships and associations that may be perceived to affect the independence and objectivity of a Director.

#### **Who should use this Policy:**

- Group Directors ('Directors')
- Nomination Committee

#### **External References applicable to this Policy:**

- CPS 510 Governance )
- ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (particularly Principle 2: Structure the board to add value)

#### **Risk Consequences:**

Non-adherence to this policy may result in the majority of Directors not being independent, hence creating the potential for Beyond Bank Australia Board ('Board') decisions to be made that are not in the best interests of the Group. It may also result in non-compliance with CPS 510.

#### **The Obligations of this Policy:**

#### **Test of Independence**

The test of independence that will be used by the Nomination Committee to determine the independence of Directors is whether the Director is:

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*“a non-executive director who is free of 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 judgement.”<sup>1</sup>*

Furthermore, an independent Director should be able to make decisions on the merits of the subject before the Board and not be affected by other extraneous considerations or influences. A person who is regarded as an independent Director is expected to be able to make decisions in the best interests of the Group in a manner that is independent of management and free of any business or other relationships that could materially interfere with – or could reasonably be perceived to materially interfere with – their judgement.<sup>2</sup>

#### **Information Collected by the Nomination Committee to Assess Independence**

All relevant facts and circumstances will be considered in determining the independence of a Director under the above test. It is not possible to explicitly provide for all circumstances that will indicate a conflict of interest or material relationship. However, a Director will normally be considered to be independent if he or she meets all the criteria described below.

It should be noted that, in certain circumstances, a Director may be considered by the Nomination Committee to be independent although the Director does not meet one or more of the criteria specified below. The Nomination Committee reserves the right to make such an assessment and disclose it as described in the ‘Disclosure’ section of this policy.

Directors will update the Nomination Committee with any new information in relation to interests or relationships relevant to independence. The Nomination Committee will assess the independence of Directors annually and will re-assess determinations of independence when any new interests or relationships are disclosed by a Director.

The criteria are:

1. the Director is not a member of management of the Group;
2. if the Director has previously been employed in an executive capacity by Beyond Bank Australia or another Group member, there has been a period of at least three years between ceasing such employment and serving on the Board;
3. the Director has not been, within the last three years, a principal of a material professional adviser or material consultant to Beyond Bank Australia or another Group member, or an employee materially associated with the service provided;

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<sup>1</sup> Prudential Standard CPS 510 Governance

<sup>2</sup> Australian Council of Superannuation Investors Inc. 2005 *Corporate governance guidelines*

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4. the Director is not a material supplier of Beyond Bank Australia or other Group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier;
5. the Director does not have a material contractual relationship with Beyond Bank Australia or another Group member other than as a Director.
6. the Director has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

The test of whether a relationship or business is 'material' will be based on the nature, circumstances and activities of the Director having regard to the criteria above. Materiality will be considered from the perspectives of the Group and the persons or organisations with which the Director has an affiliation, and from the perspective of the Director.

#### **Disclosure**

The Board will make the following disclosures to customers in the Beyond Bank Australia Annual Report:

- Independent and non-independent Directors will be identified and the basis on which the assessment of independence is based will be stated.
- Any assessment of independence for a Director who does not meet the criteria above will be specifically explained.
- Material relationships, associations and other business of each Director will be described (whether or not falling within the categories listed above) and the period of office held by each Director will be stated. This will include details of any relationships or circumstances which the Nomination Committee believes do not affect independence but which could be perceived as influencing the Director's judgement, objectivity or ability to act in the best interests of the Group.

Independent and non-independent Directors standing for re-election will also be identified in the ballot paper if a ballot is conducted.

#### **Acceptable Deviations to this Policy:**

Nil

#### **Authority to Change Policy**

Proposed changes to this policy must be submitted by the Head of Governance & Assurance to the Board Governance and Remuneration Committee. Amendments to this policy must be approved in accordance with the Policy: Approval – Non Material Amendments to Board policies and Related Documents.

#### **Policy Review Date**

The policy is to be reviewed by the Board Governance and Remuneration Committee as the need arises or at intervals not exceeding 24 months.

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**Other Relevant Policies**

- Approval – Non Material Amendments to Board Policies and Related Documents

**Owner**

Board