

BEYOND BANK AUSTRALIA

Policy: Board Composition and Performance

An overview of this Policy:

Policy Aim

Beyond Bank Australia recognises the importance of ensuring that the Board can demonstrate:

1. **independence** by discharging its review and oversight role effectively and independently of the interests of management and competing or conflicting interests;
2. **expertise** by the Board having the necessary expertise to fulfil its role and functions and having access to independent expertise not readily available amongst the current Directors;
3. **diligence** by discharging its duties and responsibilities carefully and conscientiously;
4. **prudence** by having a clear focus on the prudent management of Beyond Bank Australia;
5. **transparency** by being open and honest in its dealings on behalf of Beyond Bank Australia;
6. **oversight** by being able to satisfy itself that the management and operation of Beyond Bank Australia conforms with its strategy, direction and policies; and
7. **customer commitment** by representing all Beyond Bank Australia customers.

It is important that the Board be comprised of Directors who have suitable skills and competencies and that the Board remains open to new ideas and independent thinking, while retaining adequate expertise. This policy addresses the need to review regularly the independence, skills and competencies of the Board as a group in order to enable the identification and filling of any gaps in the competencies and skills considered necessary.

Australian Prudential Regulation Authority (APRA)

APRA is the prudential regulator of the Australian financial services industry.

The Beyond Bank Australia Group consists of Beyond Bank Australia and several controlled entities. Beyond Bank Australia is an authorised deposit-taking institution (ADI) and is regulated by APRA in accordance with the *Banking Act 1959 (the Act)*. Beyond Bank Australia is the only Beyond Bank Australia group member that is an ADI. As an ADI, Beyond Bank Australia must adhere to APRA's prudential requirements at all times.

This policy is designed to comply with the requirement of Prudential Standard CPS 510 Governance, which requires the Board of an ADI to have a policy on Board renewal and procedures for assessing Board performance.

The aim of CPS 510 is to ensure that a regulated institution is managed soundly and prudently by a competent Board (or equivalent) which can make reasonable and impartial business judgements in the best interests of the institution, and which duly considers the impact of its decisions on depositors or policyholders.

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Who should use this Policy:

The Board of Directors.

External References applicable to this Policy:

Prudential Standard CPS 510 Governance

Risk Consequences:

Non adherence to this policy may result in the Beyond Bank Australia Board not having the balance of skills, experience, and independence that is appropriate to the nature and extent of Beyond Bank Australia's operations. It may also result in non-compliance with CPS 510 and adversely impact on APRA's PAIRS rating for Beyond Bank Australia.

The Obligations of this Policy:

1 Policy Maintenance

1.1 Authority to Exercise Rules

The Company Secretary is responsible for identifying any changes to the requirements of CPS 510 and recommending appropriate policy amendments to the Board Governance and Remuneration Committee.

1.2 Authority to Amend Policy

Proposed amendments to this policy must be submitted by the Company Secretary to the Board via the Board Governance and Remuneration Committee for approval.

1.3 Policy Review

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

1.4 Owner

Board of Directors.

2. Board/Director Requirements

2.1 Number of Directors

It is a requirement of CPS 510 that an ADI have a minimum of 5 Directors at all times. The Board must have a majority of independent Directors at all times and the Chair of the Board must be an independent Director.

The minimum number of Directors is as per Rule 13.1(1) of the Beyond Bank Australia Constitution and may comprise:

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1. Directors elected by customers;
2. Not more than five Directors appointed by the Board; and
3. Beyond Bank Australia's Chief Executive Officer ('CEO') who the Board, in its discretion, may appoint as a Director. If the CEO is appointed as a Director, that position will not be counted in determining the minimum number of Directors.

The maximum number of Directors is as per Rule 13.1(2) of the Beyond Bank Australia Constitution.

2.2 Eligibility to be a director

In accordance with Rule 13.2 of the Beyond Bank Australia Constitution an individual is eligible to be a Director if the person:

1. is a member (unless he/she is a Director appointed by the Board);
2. is not a current employee of Beyond Bank Australia [unless the person is the CEO] and has not been an employee of Beyond Bank Australia in an executive capacity within the 3 year period immediately prior to the closing of nominations for an election;
3. has been a member continuously for a period of at least 3 years (unless otherwise determined by the Board) when the person is nominated as a candidate for election as a Director [unless the person is a Director appointed by the Board or the CEO];
4. has not had a personal representative or trustee appointed to administer the person's estate or property because of their mental incapacity;
5. is not a minor;
6. is not disqualified or prevented by law from being a Director of Beyond Bank Australia; and
7. meets Beyond Bank Australia's policy requirement of fitness and propriety for Directors.

An individual who is elected or appointed to the Beyond Bank Australia Board must demonstrate a commitment to represent all Beyond Bank Australia customers.

2.3 Term of Office

In accordance with Rule 13.6 of the Beyond Bank Australia Constitution:

1. An elected Director's term of office is three years;
2. The term of office of an appointed Director or the CEO as a director starts at the time of the Board resolution appointing the person as a director and ends at the end of the time specified in the Board resolution appointing the person as a Director;
3. The term of office of the CEO as a Director ends if and when the person ceases to be the CEO; and
4. An elected Director is not eligible to be re-elected if, at the time of his or her re-election, his or her cumulative period in office would be 9 years or more from the time he or she was first elected, re-elected, or appointed after 1 July 2007.

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3. Independence

APRA Prudential Standard CPS 510 on Governance requires that the Board must have a majority of ‘independent Directors’ at all times and that the Chair of the Board must be ‘independent’.

Beyond Bank Australia maintains a Board approved Independence of Directors policy.

4. Skills Audit

4.1 Audit of Board Skills Experience and Behavioural Attributes (Board Skills Audit)

At least on an annual basis, the Board Governance and Remuneration Committee will initiate an audit of the Board’s skills and competencies. The skills and competencies of each Director will be documented in a Board skills matrix. During the conduct of this review, the Board must consider and document the skills, competencies, and behavioural attributes required to govern Beyond Bank Australia, both at the present time and in the future, to ensure Beyond Bank Australia’s strategic goals can be achieved. Gaps in the required skills, competencies and behavioural attributes will be documented and a strategy developed to close those gaps. The strategy will consist of, but not be limited to, the training of an existing Director or Directors, the appointment of new Directors, and the maintenance of a Board Succession Plan.

The Beyond Bank Australia Constitution provides that not more than five Directors can be appointed Directors (refer to section 6.4 of this policy). The Board may, by resolution at any time, appoint a person as an appointed Director. The Board will consider the appointment of a suitably qualified and/or experienced person as a Director if considered necessary to address an identified board skills gap.

5. Performance Appraisal

5.1 Formal Appraisal of the Board’s Performance and of Individual Directors

It is a requirement of CPS 510 that an ADI have procedures for assessing Board performance.

On at least an annual basis, a formal appraisal of the performance of the Board, and of each individual Director, will be conducted and documented. One of the objectives of these reviews is to ensure that all Directors remain up to date in both their skills and knowledge of Beyond Bank Australia and the industry in which it operates. Appropriate action will be taken to address any deficiencies in skills and/or knowledge.

Director appraisals are considered an opportunity for continuous improvement and enhancing corporate governance. Actions to be taken to overcome deficiencies will be addressed on a case-by-case basis by the Chair in consultation with the director. Underperforming Directors will be counselled privately by the Chair and

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an agreed course of action documented. Actions to be taken may include the development of a personal development plan and, if performance does not improve, the Chair will discuss the option of resignation with the Director. An annual review of the Chair's performance will be conducted by the Board.

Beyond Bank Australia maintains a Board-approved Board Member Professional Development policy.

6. Board Renewal

6.1 Criteria for assessing candidates who have been nominated for election as a director

The Board must develop and document a set of model criteria which address the skills, experience and behavioural attributes against which the Nomination Committee must assess candidates who have been nominated for election as a Director. In developing the model criteria, the Board will take into account the gaps identified by the formal annual review of the Director's skills and experience.

6.2 Nomination Committee

In accordance with the Beyond Bank Australia Constitution, the Board must establish a Nomination Committee to assess against the model criteria the candidates who have been nominated for election as a Director.

6.3 Candidate Assessment

All candidates who have been nominated for election as a Director must:

1. give the Nomination Committee a declaration (in such form as the Board may require from time to time) confirming that he/she satisfies any eligibility requirements for election as a Director that are imposed by the Beyond Bank Australia Constitution, the Corporations Act, the Banking Act or any other legislation or Prudential Standard; and
2. submit to an interview with the Nomination Committee.

The Nomination Committee must give to the Board a candidate report in relation to each candidate it has interviewed advising whether the candidate:

1. has demonstrated the skills, experience and behavioural attributes (as assessed against the model criteria) to be a Director; and
2. is of appropriate fitness and propriety to be and act as a Director (by reference to the Beyond Bank Australia fit and proper policy).

A person who has not demonstrated the skills, experience and behavioural attributes (as assessed against the model criteria) to be a Director, and/or assessed as not being of appropriate fitness and propriety, ceases to be eligible for election or re-election as a Director.

6.4 Retiring Directors Standing for Re-election

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The provisions in relation to assessment of candidates by the Nomination Committee apply equally to retiring Directors standing for re-election.

6.5 Appointed Directors

Where the Board seeks to appoint a person as a Director pursuant to Rules 13.4 or 13.5 of the Constitution, the Board will use the annual review of Board Skills Audit as a basis for identifying persons to be approached and invited to join the Board. Whilst any person so approached is not subject to assessment by the Nomination Committee the person must:

1. satisfy the requirements of the Beyond Bank Australia Fit and Proper policy;
and
2. demonstrate an ability to be a Director as assessed against the latest Board approved model criteria.

Acceptable Deviations to this policy:

Only as authorised by the Chair of the Board of Directors in consultation with the Chair of the Board Governance and Remuneration Committee.