



# **CORPORATE GOVERNANCE STATEMENT**

Version 1.3

Current at October 2018

## Version Control

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23/09/2016	1.1	Annual Review. Updated details. Approved by Board
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## Distribution

Name	Title	Sign Off/Review
Bill Schafer	CFO/Company Secretary	Review
Board of Directors	Board of Directors	Review and Sign Off

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## 1. Introduction

The Board of Directors of Auswide Bank Ltd strives to achieve high standards of corporate governance and is dedicated to ensuring that its policies and procedures reflect this commitment. This statement reports on the Company's corporate governance framework that was in place for the financial year ending 30 June 2018.

The Governance section of Auswide Bank's corporate website ([www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/)) contains charters, codes and policies referred to in this statement. These documents are periodically reviewed to take into account changes in law and governance practices.

The Company's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) published by the ASX Corporate Governance Council throughout the 2018 financial year, except where otherwise explained.

This Corporate Governance Statement is current as at 18 October 2018.

## 2. Structure of the Board

The Board Charter can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section.

### 2.1 Roles and Responsibilities

The Board of Directors is accountable to Shareholders and is ultimately responsible for the performance and governance of the Company.

The Board's responsibilities include but are not limited to:

- the adoption and approval of relevant strategic plans;
- oversight of Auswide Bank including its control and accountability systems;
- approval and monitoring of annual budgets;
- appointing and removing the Managing Director;
- ratifying and approving the appointment of and where appropriate the removal of the Chief Financial Officer and the Company Secretary;
- input into the final approval of management development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control;
- codes of conduct and legal compliance;
- monitoring Senior Management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure;
- capital management and acquisition and divestitures;
- approving and monitoring financial and other reporting;
- planning for Board and executive succession;
- appointment of External Auditors; and
- determining dividends to be paid.

The Board delegates various authorities to the Managing Director and Senior Management, including:

- development of strategic plans for approval by the Board, and subsequent implementation of approved strategies;
- preparation of annual budget for Board approval, and conducting the Company's business activities within approved budget limits;
- development and maintenance of risk management systems and frameworks as approved by the Board or Risk Committee;
- appointments to Senior Management roles; and
- managing the business in accordance with regulatory and legislative requirements and within Auswide Bank's approved policy and procedures framework.

## 2.2 Structure and Composition

The size of the Board is subject to the provisions of Auswide Bank's Constitution which currently provides for a minimum number of five directors and a maximum number of ten. Currently, the number of Directors is five, and is comprised of four Non-Executive Directors and one Executive Director, being the Managing Director.

Directors are required to seek re-election on a rotation basis at least once every three years in accordance with the Constitution.

The Board does not have a separate formal Nomination Committee, with the full Board addressing such matters that would otherwise be considered by the Nomination Committee. These matters include Board succession issues and ensuring that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

In considering the composition of the Board, the Directors aim to ensure that it is structured in such a way that it:

- has a proper understanding of and competence to deal with current and emerging issues of the business;
- can effectively review and challenge the performance of management and exercise independent judgement.

The Board acknowledges that ultimately the Directors are elected by the shareholders however they have an important role to play in the selection of candidates for election by the shareholders.

Appropriate checks are undertaken prior to appointing a person and recommending that person for election as a Director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history. As a Director is a responsible person under the applicable Australian Prudential Regulation Authority (APRA) Prudential Standard, extensive background checks as to fitness and propriety are carried out before a person is appointed to the Board. Auswide Bank maintains a Fit and Proper policy and directors are formally assessed against this policy annually, signing an annual declaration as to their fitness and propriety each year.

Auswide Bank includes in the Notice of Meeting to Shareholders for the AGM all material information known to the Company which is relevant to a decision whether or not to elect or re-elect a Director.

New directors receive a letter of appointment setting out the terms of their appointment and are provided with an induction package that contains key documents such as the Company's Constitution, Board and Committee Charters, Corporate Structure diagrams, Codes of Conduct, Policies (including Trading Policy) and Plans. New directors are also provided with access to Management and Auditors to seek explanations and information as required.

The Company has written agreements with each Director which formalises their duties, obligations and remuneration. Their remuneration has been determined by the Board.

Directors are provided with appropriate continuing professional development opportunities to enable them to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Chairman of the Board is appointed by the Directors, and must be a non-executive independent director. The Chairman of the Board therefore is not and cannot be the same person as the Managing Director or Chief Executive Officer of the entity.

### 2.3 Director Skills and Experience

The skills, experience and expertise of each Director are described in the Directors' Statutory Report located on pages 26 to 40 of the 2018 Annual Report.

Each Director has many years of experience in their fields and, with their knowledge of the industry, together with their diversified backgrounds, they make an integral contribution to the ongoing development of the Company.

A summary of the Directors' key skills and experience at the end of the reporting period is set out below:

Skills and Experience	No. of Directors
Retail Banking	3
Business Banking	3
Credit	3
Insurance	1
Treasury & Finance	2
Accounting & Audit	2
Legal	1
Risk Management	3
Corporate Strategy	5
Mergers & Acquisitions	1

When a new appointment is made to the Board, the Group's aim is to ensure that any new appointee's unique experience, skills and knowledge will make an integral contribution to the functioning and performance of the Board and add value to the Group as a whole.

## 2.4 Independence

The Board Charter states that the majority of the Board should be independent directors as described in Principle 2 of the ASX Corporate Governance Council Principles and Recommendations.

To be deemed to be independent, the Director must be considered to be free of any interest, position, association or relationship that might materially interfere with their independence or the exercise of their judgement.

The Board regularly assesses the independence of each director in light of interests disclosed by them. Directors are required to disclose any potential interest they may have, which may be considered as giving rise to a conflict of interest, and to discuss the matter with the Chairman.

Every director of the Board is entitled to seek independent professional advice at Auswide Bank's expense with the prior written approval of the Chairman.

The following non-executive Directors are considered to be independent:

John Humphrey	-	10 years in office
Barry Dangerfield	-	7 years in office
Greg Kenny	-	5 years in office
Sandra Birkenleigh	-	3 years in office

John Humphrey was a partner at legal firm King & Wood Mallesons until 1 January 2013. King & Wood Mallesons provides legal services and corporate advice to Auswide Bank within a normal supplier-customer relationship on conditions no more favourable than those available to other suppliers. In the Board's opinion, the judgement of Mr Humphrey is not impaired or conflicted in a material respect by this relationship.

Martin Barrett is the Managing Director of the Company and is the only executive director currently on the Board. Martin was appointed as the Chief Executive Officer of the Company in February 2013 and was subsequently appointed to the Board as Managing Director in September 2013. Martin has had 5 years in office.

## 2.5 Committees

To assist the Board to carry out its responsibilities, the Board has established an Audit Committee, a Risk Committee and a Remuneration Committee.

These Committees review matters on behalf of the Board and as determined by the relevant Charter:

- refer matters to the Board for decision, with a recommendation from the Committee, or
- determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.

The minutes from each Committee meeting are provided to the full Board at the next meeting following the Committee meeting.

## 2.6 Company Secretary

The Board approves the appointment, and where appropriate, the removal of the Company Secretary per the Board Charter. The Company Secretary is accountable directly to the Board, through the Chairman, on matters to do with the proper functioning of the Board.

## 3 Audit

### 3.1 Audit Committee

The Audit Committee's focus is on the issues relevant to verifying and safeguarding the integrity of Auswide Bank's financial operations and reporting structure.

Currently, the Audit Committee is comprised of the four independent non-executive Directors, with an independent Chairperson who is not the Chair of the Board. The Committee's members are:

- Sandra Birkenleigh (*Chairperson*)
- John Humphrey
- Barry Dangerfield
- Greg Kenny.

The skills, experience and expertise of each Director are described in the Directors' Statutory Report located on pages 26 to 40 of the 2018 Annual Report.

Details of the number of times the committee met during the year, and the attendances of each individual member of the committee can also be found in the Directors' Statutory Report located on page 30 of the 2018 Annual Report.

The internal and external auditors, the Managing Director, Chief Financial Officer and Chief Risk Officer are invited to Audit Committee meetings at the discretion of the Committee.

The full Board Audit Committee Charter can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section.

The responsibilities of the Audit Committee include:

- Oversee the management of the financial reporting and disclosure practices;
- Oversee the internal audit function;
- Review internal compliance and control systems;
- Review compliance with APRA reporting and other statutory requirements;
- Oversee financial accounts;
- Address changes in the adoption of accounting principles and the application thereof in interim and annual reports;
- Review reports from the External Auditors;
- Review reports from the Internal Auditor and any Management responses to issues raised; and
- Review and selection of External Auditors for recommendation to the full Board.



### 3.2 Internal Audit

Auswide Bank has an internal audit function which independently assesses the effectiveness and efficiency of the internal control, risk management and governance systems and processes of the organisation.

This function was outsourced to Price Waterhouse Coopers on 1 April 2016. Prior to this, the General Manager of Internal Audit, while maintaining a management reporting line to the Managing Director, had a reporting line directly to the Board Audit Committee, in order to bring the requisite degree of independence and objectivity to the role. Price Waterhouse Coopers reports directly to the Board Audit Committee.

The responsibilities of the Internal Audit Manager include the following:

- Develop and maintain an Internal Audit Strategy that is centred on a risk assessment based on the organisation's risk management framework, and that is consistent with the goals and plans of the organisation;
- Develop and execute a multi-year Internal Audit Plan that is consistent with the Audit Strategy and report the results of work performed to senior management and the Board Audit Committee;
- Inform senior management of all significant findings so that timely corrective actions can be taken, and follow up on the outcomes of corrective measures;
- Report to the Board Audit Committee the status of findings that have not been rectified by senior management when outside agreed timeframes for resolution;
- Maintain a professional team of Internal Audit personnel with appropriate skills, knowledge, experience and qualifications; and
- Coordinate internal and external audit activities to help ensure the adequacy of overall audit coverage and to minimise duplication of effort, and to ensure that each party is well briefed on areas of concern.

### 3.3 External Auditor

Deloitte Touche Tohmatsu was appointed as the external auditor of the Company at the 2014 AGM held on 18 November 2014, effective from the date of the meeting.

The Audit Partner is present at the AGM each year and is available to answer shareholder questions relating to the external audit.

Auswide Bank's policy "Appointment of External Auditors and Rotation of the External Audit Partners" can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section.

In line with current legislation, this policy requires that the Partner in charge of the external audit be changed within five years of being appointed.

## 4 Risk Management

### 4.1 Risk Committee

The purpose of the Risk Committee is to assist the Board in the effective discharge of its responsibilities to set and oversee the risk profile and risk management framework of the Company, and to ensure management have appropriate risk systems and practices to effectively operate within the Board approved risk profile.

Currently, the Risk Committee is comprised of three independent non-executive Directors, with an independent Chairperson who is not the Chair of the Board. The Committee's members are:

- Greg Kenny (*Chairman*)
- Barry Dangerfield
- Sandra Birkenleigh

Details of the number of times the committee met during the year and the attendances of each individual member of the committee can be found in the Directors' Statutory Report located on page 30 of the 2018 Annual Report.

The full Board Risk Committee Charter can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section.

The responsibilities of the Risk Committee include:

- Monitor the Group's risk profile with regard to risk appetite and oversee the drafting and refining of the Auswide Bank Risk Appetite Statement;
- Review and make recommendations to the Board in relation to the Group's Risk Management Frameworks with particular emphasis on Credit Risk, Operational Risk, Compliance Risk and Treasury Risk;
- Review and make recommendations to the Board in relation to key risk policies, controls, strategies, performance and management;
- Review any changes anticipated for the economic or business environment, including consideration of emerging trends and other factors relevant to Auswide Bank's risk profile;
- Oversee APRA statutory reporting requirements pertaining to risk matters, and deal promptly with APRA reviews; and
- Review and recommend the risk management key performance indicators (KPIs) included in the performance plans for Executives and senior management.

The Risk Committee reviews the Group's Risk Management Framework at least annually to satisfy itself that the framework continues to be sound. This review has taken place during the year ended 30 June 2018.

#### 4.2 Written Declarations

The Managing Director and Chief Financial Officer, in accordance with Section 295A of the *Corporations Act 2001 (Act)* have declared in writing to the Board, that in their opinion, the financial records of the entity have been properly maintained in accordance with Section 286 of the Act and that the financial statements and notes for the financial year comply with accounting standards and give a true and fair view of the financial position and performance of the entity.

In accordance with the ASX Corporate Governance Principles and Recommendations, they also declare that in their opinion, the risk management systems and internal compliance and controls are operating efficiently and effectively in all material respects in relation to the financial reporting, and the integrity of the financial statements is founded on a sound system of risk management, internal compliance and control which implements the policies of the Board.

These written declarations were obtained prior to the Board's approval of the Company's financial statements for both the half-year ended 31 December 2017 and the full year ended 30 June 2018.

#### 4.3 Material Exposure to Economic, Environmental and Social Sustainability Risks

There are a number of material business risks that could adversely affect the Group and the achievement of the Group's financial performance objectives. Those risks and how those risks are managed by the Group are described in Note 32 to the Financial Statements (pages 79 to 89 of the 2018 Annual Report). The Group's approach to Environmental and Social Sustainability risks is described in the Group's Charter for Corporate Social Responsibility which can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Social Responsibility section.

### 5 Remuneration and Performance Evaluation

#### 5.1 Remuneration Committee

The primary function of the Remuneration Committee is to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to remuneration by ensuring that Auswide Bank has clear remuneration policies and practices that fairly and responsibly reward individuals having regard to performance, the Group's risk management framework, the law and the highest standards of governance.

Currently, the Remuneration Committee is comprised of three independent non-executive Directors, with an independent Chairperson who is not the Chair of the Board. The Committee's members are:

- Barry Dangerfield (*Chairman*)
- Greg Kenny
- Sandra Birkenleigh

Details of the number of times the committee met during the year, and the attendances of each individual member of the committee can be found in the Directors' Statutory Report located on page 30 of the 2018 Annual Report.

The full Board Remuneration Committee Charter can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section.

The responsibilities of the Remuneration Committee include:

- To review and make recommendations to the Board in relation to the Group's Remuneration Policy and to assess the Policy's effectiveness and its compliance with Prudential Standards;
- To review and make recommendations to the Board in relation to the individual remuneration levels and reward outcomes for the Managing Director, non-executive Directors, other executives who report directly to the Managing Director, each category of persons covered by the Remuneration Policy and any other key personnel the Board considers to be in a role of material influence;
- To review and make recommendation to the Board on the corporate goals and objectives relevant to the remuneration of the Managing Director, and the performance of the Managing Director in light of these objectives;
- To approve short term and long term incentive plans for Auswide Bank's executives;
- To review and make recommendations to the Board in relation to approving any and all performance rights plans;
- To oversee succession planning for senior executives; and
- To oversee general remuneration practices and incentive programs across Auswide Bank.

## 5.2 Remuneration Policies and Practices

The Company's policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives can be found in the Remuneration Report section of the Directors' Statutory Report located on pages 26 to 40 of the 2018 Annual Report. The Remuneration Report also contains details of the employment contracts in place with the Managing Director and Key Management Personnel.

## 5.3 Performance Evaluation

### 5.3.1 Board Performance

A performance evaluation of the Board, the Board Committees and each individual director's contribution to the Board is performed annually.

The Chairman holds discussions with individual directors when evaluating the performance of the board and the committees, then leads a Board discussion on the issues raised. The Board then discusses and considers these issues and agrees any recommendations as necessary.

The evaluations performed for the year ended 30 June 2018 confirmed a satisfactory performance by the Board.

### 5.3.2 Senior Executive Performance

Specific Key Performance Indicator (KPI) targets are set for the Managing Director and Senior Executives each year with the overall aim of aligning the interests of the executives with the strategy and business objectives of the Company. A mix of financial and non-financial KPI targets is used and these KPI targets are considered by the Remuneration Committee to be appropriate measures of performance.

For 2018, performance evaluations were conducted in July-August 2018. The KPI targets for the Managing Director were assessed by the Remuneration Committee. The KPI targets for the other senior executives were assessed by the Managing Director and then ratified by the Remuneration Committee.

The Company currently has in place an equity-based long-term incentive remuneration scheme with the Managing Director and senior executives. In accordance with the Corporations Act 2001 (Cth), equity allocated under Auswide Bank's incentive programs must remain at risk until fully vested or exercisable. Auswide Bank's Performance Rights Plan prohibits an eligible full or part time employee of Auswide Bank or a related body corporate who is a participant in the plan from entering into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any rights granted to them to receive shares as part of the plan. If a participant enters into such an arrangement and unless the Board of the Company determines otherwise, the participant's performance rights will lapse immediately.

More information regarding the performance assessment and remuneration of Senior Executives can be found in the Remuneration Report section of the Directors' Statutory Report located on pages 26 to 40 of the 2018 Annual Report.

## 6 Codes of Conduct

The following Codes of Conduct can be found at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section:

- Corporate Code of Conduct; and
- Code of Conduct for Directors and Key Executives.

## 7 Diversity

Auswide Bank remains committed to creating and maintaining an inclusive culture and diverse workforce that is representative of its customers and the communities in which it operates, where individual differences are highly valued and respected. Managing diversity makes us responsive, productive and competitive and creates value for our customers and shareholders while building a high performing and sustainable organisation. Gender diversity continues to be a key priority and the Bank remains committed to building strong female representation at all levels including management.

Auswide Bank has complied with its reporting requirements under the *Workplace Gender Equality Act 2012 (Cth)* for the period from 1 April 2017 to 31 March 2018.

Auswide continues to take a proactive approach to meeting its regulatory requirements with respect to diversity and inclusion and makes the following disclosures in relation to the ASX Corporate Governance Principals and Recommendations:

### 7.1 Diversity Policy (Recommendation 1.5(a) and 1.5(b))

The revised Auswide Bank Diversity Policy is available on the Bank's website at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section.

## 7.2 Measurable objectives and progress (Recommendation 1.5(c))

The measurable objectives for achieving gender diversity which have been set by the Board in accordance with the Diversity Policy and Auswide's progress towards achieving them are set out below.

	<b>FY15 actual female representation (as at 30 June 2015)</b>	<b>FY15 target female representation</b>	<b>FY16 actual female representation (as at 30 June 2016)</b>	<b>FY17 actual female representation (as at 30 June 2017)</b>	<b>FY18 actual female representation (as at 30 June 2018)</b>	<b>FY18 target female representation</b>
Auswide Board of Directors – including executive & non-executive directors	20%	Maintain a minimum of 1 female on the Board of Directors as vacancies and circumstances allow for the existing representation. Future appointments of Directors are to be based on experience and merit.	20%	20%	20%	Maintain a minimum of 1 female on the Board of Directors as vacancies and circumstances allow for the existing representation. Future appointments of Directors are to be based on experience and merit.
Senior Management positions *	37%	28% by 2015 *achieved in 2014	37%	39%	37%	37% to 40%
Total Auswide Bank employees	78%	-	76%	77%	75%	-

\* Senior Management – Three layers of management relates to Senior Executive Leadership Team positions held by (1) Chief Executives (2) General Managers and (3) Management positions held by Regional Managers & Heads of Department.

## 8 Communication with Shareholders

Auswide Bank believes it is very important for its shareholders to make informed decisions about their investment in the Company. In order for the market to have an understanding of its business operations, performance and governance, the Company aims to provide shareholders with access to quality information in the form of:

- Interim and final results;
- Annual Reports;
- The Company's website at [www.auswidebank.com.au](http://www.auswidebank.com.au);
- The Company's corporate website at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/).

Matters which could be expected to have a material effect on the price or value of Auswide Bank's securities must be disclosed in a timely manner under the Corporations Act and the ASX Listing Rules. The Company's Continuous Disclosure Policy is available at [www.auswidebankltd.com.au/about-us/about-auswide-bank/](http://www.auswidebankltd.com.au/about-us/about-auswide-bank/) under the Governance section. Auswide Bank is committed to the promotion of investor confidence by providing equal, timely, balanced and meaningful disclosure to the market, and this policy sets out the processes that are in place to provide this.

Auswide Bank's investor relations program includes the following mediums to facilitate effective two-way communication with investors:

- Roadshow presentations, including question and answer sessions, are conducted by the Managing Director and CFO twice a year with investors, brokers and analysts. Prior to the roadshows taking place the presentations are released to the ASX for the full market to view.
- Presentations, as well as the opportunity to ask questions, are provided to shareholders at General Meetings, including the AGM. AGMs up to the year 2013 were held in Bundaberg Queensland, however, the 2014 AGM was held in Brisbane to make it more accessible to shareholders and media based in cities. AGMs have since been held in Bundaberg and Brisbane on alternating years. From 2014 AGMs have also been filmed and provided to the market via webcasts.
- Contact details for the Managing Director and/or Company Secretary are provided with all market releases for investors with further questions.

Shareholders have the option to receive communications from, and send communications to, the Company and its share registry electronically.