



BOARD RENEWAL AND PERFORMANCE POLICY

Version 1.1

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Version Control

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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 Purpose

The role of the Board is to provide strategic guidance and effective oversight of management to Auswide Bank Ltd and its controlled entities ("Auswide Bank").

The Board is committed to ensuring it remains effective in providing good governance, remaining open to new ideas and independent thinking, and retaining the required skills and expertise to discharge its responsibilities. In doing so, the Board recognises the importance of undergoing a regular process of renewal, which provides new input into ensuring the maintenance of a proactive and effective Board.

2 Scope

This Policy sets out the guidelines that the Board has agreed to follow regarding:

- Board renewal and appointment;
- Director skills evaluations; and
- Board performance evaluations.

This Policy is designed to support the Board to discharge their responsibilities in accordance with:

- Auswide Bank's Constitution ("the Company Constitution");
- APRA's Prudential Standards, including CPS 510 Governance; and
- ASX Listing Rules.

3 Appointment of New Directors

3.1 Composition

The size of the Board is subject to the provisions of the Company Constitution, which currently provides for a minimum number of five Directors and a maximum number of ten.

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

- has a proper understanding of and competence to deal with current and emerging issues; and
- reviews and challenges the performance of management and exercises independent judgement where necessary.

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 APRA's Prudential Standards, 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 to ensure these requirements are considered.

3.2 Appointment of New Directors

In selecting potential Directors, the Board will identify the competencies required to enable the Board to fulfil its responsibilities. In doing so, the Board will have regard to the results of the annual appraisal of the Board's performance (refer to Section 6).

In sourcing new Directors, the Board will have reference to diversity of representation on the Board, with the objective to ensure that there is an equal balance of gender, wherever reasonably possible.

The Chairman of the Board is appointed by the Directors and must be a Non-Executive 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.

4 Board Renewal

4.1 Renewal and Tenure

The Board recognises the importance of undergoing a regular process of renewal via changes in Board membership.

Therefore, the term that Directors may be appointed will be limited to 10 years.

The Board has discretion to extend a Non-Executive Director's term of appointment if the Board determines that extending the term will be of significant benefit to Auswide Bank.

A Director's continuing Board membership is subject to their ongoing performance and relevance of their skills and experience, in accordance with the Director performance evaluation process outlined at Section 5 of this Policy.

4.2 Nominating for Re-Appointment

In accordance with Auswide Bank's Company Constitution and the ASX Listing Rules, a Director must retire and seek re-appointment:

- a) before the third Annual General Meeting, following the Director's appointment; or
- b) after three years from their appointment (*whichever is longer*).

Directors standing for re-appointment are subject to a formal performance appraisal, prior to the Board determining whether to recommend their re-appointment. The Board will consider:

- The Director's previous performance (taking into account the factors outlined in the Director Skills and Performance Evaluation);
- The skills, experience, expertise and diversity that the Director brings to the Board;
- The ability to discharge their responsibilities under the:
 - Board Charter;
 - Fit and Proper Policy;
 - *Corporations Act 2001* (Cth);

- *Banking Act 1959* (Cth); and
 - Any other legislation or Prudential Standard applicable in their capacity as a Director of an Authorised Deposit-Taking Institution (“ADI”).
- The Board’s Skills Matrix.

4.3 Re-Appointment

Directors may seek re-appointment by providing the Chairman a Declaration (in the form approved by the Board), confirming their eligibility requirements. For the Chairman, re-appointment will be initiated by submitting their nomination to a Non-Executive Director, as designated by the Board.

4.4 Removal and Cessation of Directors

In accordance with the Company Constitution and the Corporations Act, a Director shall cease to be a Director in the event of:

- a) Retirement or resignation;
- b) Death;
- c) Mental or physical incapacity; or
- d) If the Board pass a resolution to cease a Director’s tenure on the Board in the event of:
 - i. Failure to execute duties as a Director in the best interests of Auswide Bank appropriately; and/or
 - ii. The Director does not satisfy the requirements for fitness and propriety as outlined in the Fit and Proper Policy.

5 Director Skills Evaluation

On at least an annual basis, the Board will initiate an evaluation of the Board’s skills and competencies. As part of this, the Board will ensure:

- The skills and competencies necessary to effectively govern Auswide Bank, both at the present time and in the future, are documented and align to the overarching strategic goals of the organisation (“the Board Skills Requirements”);
- Each Directors’ skills and competencies are documented in a Board Skills Matrix (“the Skills Matrix”); and
- The Directors’ skills and competencies are assessed against the requirements. Gaps 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
 - Consideration of succession planning to coincide with the removal of Directors.

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.

6 Board Performance Evaluation

It is a requirement of APRA's Prudential Standard CPS 510 that an ADI have procedures for assessing Board performance. On at least an annual basis, the Board will assess their performance, led by the Chairman. However, Directors may at any time request to discuss any Board performance concerns with the Chairman.

The Chairman is to circulate a confidential questionnaire to each Board member to seek both quantitative and qualitative feedback. This is to be followed by discussion with individual Directors' of the responses and a detailed discussion of the responses at a Board meeting.

A review of the performance of the Chairman is also undertaken on an annual basis, based on feedback obtained from each Director. This is included as part of the questionnaire.

6.1 External Assessment

An external consultant may be engaged, and must be engaged at least every three years, to conduct an evaluation of the Board. The external consultant leads the reviews and provides feedback to individual Directors on individual Director performance, to the Chairman on individual Director and Chairman performance, and to the Board, on Board performance and Chairman performance.

This is to include a written report summarising the findings, observations for discussion and recommendations for the Board to action.

7 Acceptable Deviations to this policy

Only as authorised by the Chairman of the Board, in consultation with the Board.

8 Review of the Policy

Auswide Bank's Company Secretary is responsible for identifying changes to APRA's Prudential Standard CPS 510 and recommending appropriate policy amendments to the Board for approval. The policy is to be reviewed by the Board as the need arises or at intervals not exceeding 24 months.