

CORPORATE GOVERNANCE
STATEMENT 2016



BENDIGO AND ADELAIDE BANK 2016 CORPORATE GOVERNANCE STATEMENT

Our vision is to be Australia's most customer connected bank

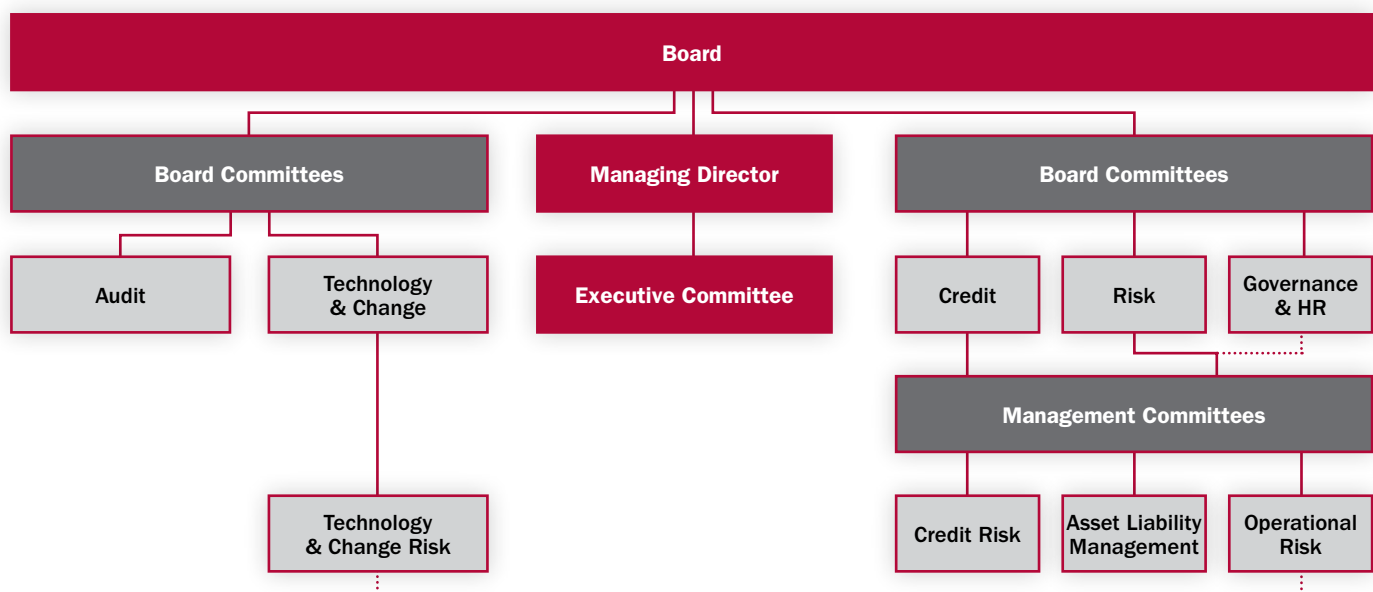
Our strategy is to focus on the success of our customers, people, partners and communities.

We do this by:

- taking a 100 year view;
- listening and responding;
- respecting every customer's choice, needs and objectives;
- partnering for shared success;
- empowering collaboration and inclusion; and
- having a clear purpose that is supported by our values.

1. Introduction

The diagram below provides an overview of the Bank's corporate governance structure.



The Bank's corporate governance framework incorporates the standards established by APRA and ASX. The Bank met all of the ASX Corporate Governance Council's recommendations for good corporate governance throughout the 2016 financial year. A summary of the ASX recommendations and how we comply with

them, together with a copy of the policies and other documents referred to in this report, are available at www.bendigoadelaide.com.au/public/corporate_governance/index.asp.

This Corporate Governance Statement is accurate and up to date as at 30 August 2016 and has been approved by the Board.

2. Board role and skills

The Board charter sets out the responsibilities of the Board. The role and responsibilities of the Board include:

- a. Reviewing and approving the strategic direction of the Group including:
 - Approving the operational and financial targets;
 - Monitoring management's performance and progress against the strategy and financial objectives.
- b. Deciding any significant changes to the organisational structure or business activities including material investments and divestments above management delegations;
- c. Deciding the appointment and replacement of the Managing Director;
- d. Deciding the remuneration arrangements for the Managing Director and other senior Executives;

- e. Overseeing the Group's financial reporting including the independence of the external auditor;
- f. Overseeing the Group's risk profile and risk management strategy including setting the risk appetite and risk management framework;
- g. Determining the Group's capital and funding requirements;
- h. Determining the delegations to management; and
- i. Setting the Group's corporate values and standards.

A copy of the Board charter is available on our website. Except for the matters expressly reserved to the Board under the charter, the day-to-day management of the Group and its operations is delegated to management.

The Chairman, Mr Robert Johanson, is responsible for leading the Board and ensuring that it is operating to the appropriate governance standards. Mr Johanson sets the Board's agenda for Board meetings and ensures adequate time is made available at each Board meeting for discussion on all agenda items.

3. Board and Committee membership

The Bank has nine Directors. Detailed information on each of the Bank's Directors is set out in the Directors' Report section of the 2016 Annual Financial Report (available from our website).

The current Board and Committee membership details are set out below:

Director	Board	Committees				
		Audit	Credit	Risk	Governance & HR	Technology & Change
Robert Johanson	Chairman Non-Executive Independent				Member	Member
Jan Harris	Non-Executive Independent	Member		Member		
Jim Hazel	Non-Executive Independent		Member	Chair		Member
Jacque Hey	Non-Executive Independent		Member		Member	Chair
Mike Hirst ¹	Chief Executive Officer					
Robert Hubbard	Non-Executive Independent	Chair		Member		
David Matthews	Non-Executive Independent	Member	Member			
Deb Radford	Non-Executive Independent		Chair		Member	Member
Tony Robinson	Non-Executive Independent	Member		Member	Chair	

¹ The Chief Executive Officer has a standing invitation to attend Board Committee meetings.

The Bank appoints Directors who contribute to the diversity of skills and backgrounds so that the Board of Directors can collectively oversee and govern the organisation and contribute, in a meaningful way, to the development and success of the business. The Non-Executive Directors are expected to have a clear understanding of the strategy as well as knowledge of the industry and markets in which the business operates. The Non-Executive Directors must also have a good understanding of each of the major business divisions to enable them to effectively monitor the implementation of the strategy and performance of the business.

It is the Board's view that the Directors should represent a range of skills, experience, diversity and spread of tenure which are aligned with the strategy and business objectives. The Board also considers there are significant benefits in retaining Directors who have served on the Board through business and economic cycles. These Directors have a deeper understanding of the industry including how political, regulatory, economic and financial market developments may impact the business.

The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the Group's strategy. The Board uses a skills matrix to assist with these reviews. The Board reviewed the skills matrix during 2016. The particular skills included in the matrix are set out below.

1. Corporate and business strategy
2. Financial acumen
3. Risk management and control
4. Corporate governance
5. Employment and workplace practices
6. Information technology and innovation
7. Government, regulatory and public policy
8. Ethics and culture
9. Banking and financial services
10. Business Operations
11. Business development
12. Specialist industry segments
13. Customer and community focus

The Board considers that the above skills are appropriately represented on the Board.

4. Independence

The Board believes that the exercise of independent judgment by Directors is a crucial feature of good corporate governance.

The Board has decided that the majority of Directors are to be independent and the Chair of the Board must be independent and must not be the Managing Director. An assessment of a Director's independence is completed prior to their appointment and annually thereafter.

The Board Policy sets out the test for the purpose of assessing the independence of Non-Executive Directors as follows: "An independent Director is a Director who is free from any material business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or advisor - that could interfere with the exercise of their independent judgment".

In 2016, the Board assessed each Non-Executive Director as independent. In making that assessment, the Board has taken into account all relevant relationships and associations disclosed by the Director and the following independence criteria:

- No Non-Executive Director is, or is associated directly with, a substantial shareholder.
- No Non-Executive Director has been employed by the Bank or any of its subsidiaries for a period of three years prior to their appointment.
- No Non-Executive Director is, or is associated directly with any firm that is, a material adviser, consultant, supplier, customer or other contractor.
- No Non-Executive Director has any other connection (e.g. family ties or cross-directorships) with the Bank which affect independence.
- No Non-Executive Director has served on the Board for such a period that their independence has been compromised.

Mr Robert Johanson has been a Non-Executive Director since 1988 and has been Chairman since 2006. As stated above, the Board recognises that length of tenure is an important factor in assessing a Non-Executive Director's independence. After reflecting on Mr Johanson's tenure, the Board assessed Mr Johanson as independent on the basis that he continues to test and challenge senior management constructively and always provides independent judgment on matters presented for Board decision.

5. Board composition, renewal and re-election

It is the Board's view that, collectively, the Directors need to have appropriate skills, tenure and experience to provide leadership and contribute to the effectiveness of the Board and our success. As mentioned earlier, the Board regularly reviews its composition using a skills matrix. These reviews also include consideration of future succession plans for Board members as well as any additional areas of expertise that may be needed or desired by the Board.

The Board will also consider diversity in its composition as part of these reviews. It aims to maintain female representation of at least one-third of Non-Executive Directors on the Board, and also aims to have a diversity of geographic representation among its members.

The Board is committed to a process of orderly renewal, aiming for a blend of tenure and experience. The Board considers that there are significant benefits in retaining Non-Executive Directors who have served on the Board through business and economic cycles and who have gained a deeper understanding of the industry, the organisation and its business activities. This experience brings a depth of perspective and corporate memory that is of particular value to the organisation.

The Board's commitment to renewal is evidenced by the recent changes in its composition. In February 2016, the Board appointed a new Non-Executive Director, Ms Jan Harris. Jan joins the Board following a distinguished career in the Australian public service, including senior roles in the Department of Treasury and the Department of Prime Minister and Cabinet, bringing additional breadth and balance to the Board.

Succession planning is an ongoing process and the Board discusses succession planning for its members and the Chairman regularly and robustly.

The process to appoint a new Director is overseen by the Chairman and Governance & HR Committee. The Governance & HR Committee's responsibilities include recommending to the Board the procedure for the selection of new Directors, the proposed criteria for the selection of Board candidates with particular reference to the current mix of skills, experience and tenure on the Board, and assessing and recommending candidates for appointment to the Board.

The Board engages the services of a professional intermediary to provide assistance in identifying and assessing potential candidates. The preferred candidates will meet with all current Board members prior to the Board making a final decision on the appointment.

The key terms and conditions applicable to Director appointments are set out in a letter of appointment. The appointment letter deals with the Director's role and responsibilities, time commitments, induction and ongoing education, performance, remuneration, disclosure of outside interests, independence, privacy and confidentiality. The terms also include the access, insurance and indemnity arrangements (set out in a Director's Deed) and include the arrangements for access to independent professional advice.

All new Directors are provided with an induction program for the Board (and relevant Committees) to familiarise Directors with our business and strategy. The program is structured to ensure that new Directors are introduced to management and the business and that all Directors are acquainted with relevant industry knowledge. This includes information about our corporate governance framework, policies, organisational structures and business activities. The induction program also involves one-on-one meetings with Executives and senior management.

The Board receives regular briefings and presentations from executives, senior management and industry specialists on relevant industry, regulatory and corporate developments. Ongoing education is also provided from time to time at the expense of the Bank and the induction process is reviewed regularly by the Governance & HR Committee.

A Director seeking re-election at the end of their term must provide a statement to the Board in support for their re-election. In making its decision whether to recommend a Non-Executive Director for re-election, the Board takes into account their contribution, the annual performance assessment, the fit and proper assessment, the skills and experience needed on the Board and the skills and experience currently represented on the Board. The decision whether to recommend a Non-Executive Director for re-election is made in that person's absence.

The Notice of Annual General Meeting includes all information obtained by the Bank relevant to the decision by shareholders whether or not to elect or re-elect a Director. This includes all relevant information obtained by the Bank as part of the fit and proper assessment (discussed below), a statement on the Director's independence and a statement on the Board's support for the Director's election or re-election.

6. Performance assessments

The Board has in place a formal process for reviewing its performance, and the performance of individual Directors, every year.

For the 2016 financial year, the Board engaged an external consultancy firm to conduct the Board performance assessment. Each Director, and a small group of senior Executives completed a detailed questionnaire designed to obtain feedback on the Board's performance in the following areas:

- Strategy and planning;
- Monitoring business performance;
- Board structure and role;
- Board skills;
- Performance against the charter;
- Performance against the goals and objectives set for the year;
- Meeting processes;
- Board performance monitoring;
- Board and Director responsibilities; and
- Board culture and relationships;

The questionnaire also includes a series of questions for a Director to assess their own performance and the performance of each other individual Director to identify development opportunities.

Once all of the questionnaires were completed, the external facilitator met with each Director and senior Executive individually to discuss the results of the survey. The external facilitator then conducted a session with the Board at a Board meeting to convey the feedback and provide an opportunity for the Board to discuss any issues arising from the process. During that discussion the Board also sets the Board's goals and objectives for the upcoming financial year.

The Board then formally assess the Chairman's performance (in the Chairman's absence), led by a Director nominated by the Board.

The Bank also has a formal process for evaluating the performance of its staff, including senior Executives. A description of the performance assessment process is included in the 2016 Remuneration Report which forms part of the 2016 Annual Financial Report (available from the Bendigo and Adelaide Bank website). Performance assessments for the Managing Director and other Executives were undertaken during the year.

7. Board Committees

The Board is assisted in discharging its responsibilities by the five Board Committees described below. These Committees have been in place for the full financial year. The Committee memberships are structured to spread responsibility and make best use of the range of skills across the Board. Membership of the various Committees is reviewed regularly and is structured to provide the appropriate overlap of membership to ensure that implications of matters raised in a Committee are not missed in another.

The Board receives the minutes of all Committee meetings at the following Board meeting as well as a verbal report from the Committee Chair on significant areas of discussion and key decisions. To assist each Committee in discharging its responsibilities, each Committee has an annual meeting planner that sets out the scheduled items of business and reports to be considered during the year.

Every second year, each Committee conducts a formal review of its performance by following a process similar to the Board performance assessment process described above. The Committee performance assessments are biennial to enable a greater focus on the Board as a whole and individual Director assessments in alternate years. The Committee reviews are led by the Chair of each Committee and the outcomes are discussed in a Board meeting. The performance of all Board Committees was reviewed in 2015 and will be reviewed again in 2017.

A summary of the role of each of the Committees is set out below and the charter for each Committee and the Committee procedural rules are available from our website. Information on the number of Committee meetings held during the year, and attendance at those meetings, is presented in the Directors' Report section of the 2016 Annual Financial Report (available from the Bendigo and Adelaide Bank website).

The Audit Committee assists the Board in relation to the external audit function (including external audit engagement, independence and prudential audit requirements), the assurance function (internal audit and credit risk review), the Group's financial and prudential reporting requirements (including the integrity of statutory financial reports) and the effectiveness of the Group's internal control framework.

The Governance & HR Committee assists the Board in relation to nomination matters (including Director appointment and re-election), succession planning, Board performance and remuneration (including Executive remuneration policy and recommending the remuneration arrangements for the Managing Director and senior Executives to the Board). The Committee also provides assistance to the Board on key employment and workplace matters including staff engagement, retention, wellbeing, reward, diversity and workplace health and safety.

The Risk Committee has oversight of the risk profile and risk management framework. The Committee's responsibilities include advising the Board on the risk appetite and risk management strategy, recommending changes to the risk management framework, overseeing the implementation of and monitoring compliance with risk management policies and limits and monitoring the risk culture within the Group.

The Credit Committee has oversight of the credit risk profile and credit risk management framework. The Committee's responsibilities include advising the Board on the credit risk appetite and credit risk management strategy, recommending changes to the credit risk management framework and overseeing the implementation and monitoring compliance with risk management policies, limits and ceilings.

The Technology & Change Committee has oversight of the Group's information technology strategy, performance and risk management. The Committee monitors the technology architecture and strategy, the governance and implementation of major change initiatives, IT risk management and information security, the management of technology assets and the governance of sourcing partnerships.

8. Access to management and independent professional advice

The Board is entitled to seek any information it requires from any Group employee or from any other source. It is entitled to meet with employees and third parties without the presence of management and may request employees and third parties to attend Board meetings. The Board may also request briefings on relevant matters from members of the senior management team.

A Committee can seek information from any Group employee or any other source and meet with employees and third parties without the presence of management. A Committee may consult with a professional adviser or expert at the cost of the Bank, if the Committee considers it necessary to carry out its responsibilities.

A Director may obtain independent professional advice at a reasonable cost to the Bank with the approval of the Chairman (or if the Chairman refuses to give the approval, the Board).

To ensure that appropriate matters are brought to the attention of the Board, the Board Committee Procedural Rules provide for the following individuals to have direct access to Board Committees. The Head of Group Assurance, Chief Financial Officer and the Head of Group Operational Risk have direct access to, and may request to meet with, the Audit Committee. The Chief Risk Officer has direct access to, and may request to meet with, the Risk Committee and Credit Committee and the Head of People and Performance may request to meet with the Governance & HR Committee. The external auditor may request to meet with the Board.

The Company Secretary is responsible for the day to day management of the secretariat function including the implementation of the governance framework established by the Board. All Directors have access to the advice and services of the Company Secretary and the Company Secretary is directly accountable to the Board, through the Chairman, on all matters relating to the administration and functioning of the Board. The Company Secretary's performance is assessed by the Board as part of the annual Board performance assessment process. The appointment and removal of the Company Secretary is decided by the Board.

9. Our corporate values and Code of Conduct (including reporting of concerns)

Our corporate values provide a framework to guide interactions within the Group, as well as with our customers, shareholders, suppliers and the community. The values are teamwork, integrity, performance, engagement, leadership and passion. These values have been incorporated into the Code of Conduct that has been endorsed by the Executive Committee and adopted by the Board.

The Code of Conduct is a statement of the Group's corporate ethics and philosophy and underpins business decisions, actions and behaviour. It aims to make sure that high standards of corporate and individual behaviour are observed in conducting the business, and provides support for those behaviours.

The Code provides guidelines for Directors and staff, so that there is a common understanding of the values and expected standards of behaviour, including in relation to conflicts of interest, use of information and position and confidentiality. More detailed policies exist that deal specifically with various aspects of the Code.

For example, the Reporting of Concerns Policy provides a reference point for reporting concerns, including on an anonymous basis. This includes a concern, a grievance, and report of a suspected breach of law or Group policy (including any breach of the Code of Conduct). The Reporting of Concerns Policy also sets out the protection provided for employees who raise concerns in good faith. Copies of the Code of Conduct and Reporting of Concerns Policy are available from our website.

10. Fit and proper

All Directors and senior managers must meet fit and proper standards under the Responsible Persons Policy, which addresses the requirements of APRA's Prudential Standard CPS520 "Fit and Proper". The Responsible Persons Policy forms part of the Group's risk management framework and is available from our website.

Directors, senior managers and the external auditor are assessed before appointment, and then annually thereafter to ensure they have the competencies, character, diligence, honesty, integrity and judgment needed for the effective and prudent operation of the Bank. The policy requires the completion of a number of competency, background and probity checks (obtained with the consent of the Director or senior manager) as part of the assessment process to confirm the person's character, experience and qualifications.

11. Continuous disclosure and communications

The Continuous Disclosure Policy dictates how we handle price sensitive information to ensure it is disclosed to ASX when required under the continuous disclosure requirements of ASX Listing Rules and the Corporations Act.

The Board receives updates on continuous disclosure as a standing item at each Board meeting. The Managing Director is responsible for assessing matters that arises between Board meetings against the continuous disclosure requirements. Alternate procedures have been established for when the Managing Director is not available. The arrangements are set out in the Continuous Disclosure Policy which is available from the Bendigo and Adelaide Bank website.

All announcements to be lodged with ASX must first be approved by an authorised officer, generally the Managing Director, before release. The Company Secretary is responsible for coordinating communications with ASX and for having systems in place to make sure that information is not released to external parties until confirmation of lodgement is received from ASX.

The Communications Policy provides clear authorities and protocols for communications with investors, ASX, regulatory authorities, media and brokers. It has also been designed to complement the Continuous Disclosure Policy, to make sure that information flows are controlled, and to reduce the likelihood of inadvertent disclosures outside the continuous disclosure reporting regime. A copy of the Communications Policy is also available from the Bendigo and Adelaide Bank website.

12. Shareholder communications and investor relations

Our website includes a dedicated Shareholder Centre, which provides information on the Group, including financial information, ASX announcements, media releases, annual reports, newsletters, dividend information, shareholder calendar, webcasts and shareholder services. Our website also includes background information on the Group and its activities as well as a dedicated corporate governance link that contains a range of information on our governance framework including information on the Directors and members of the Executive Committee, Board Charter and Board Committee Charters, Bank policies and other important documents such as the Bank's constitution.

The Shareholder Centre also enables shareholders to access current information on their security holdings including transaction and dividend payment history and taxation information. Shareholders can also request to receive documents associated with their shareholdings using our e-shareholder service. The information is provided by email and includes dividend statements, shareholder reviews, annual reports, notices of meetings and shareholder question forms. Shareholders can ask questions about the Bank and the Board, including in relation to the Annual General Meeting, through the shareholder service webpage. Responses to the questions are sent by email.

The Group has an investor relations function that is responsible for facilitating communications with the investment community on a timely basis. The responsibilities include the drafting of certain market announcements, providing feedback to management and the Board on market views and perceptions about the Group, liaising with rating agencies, providing assistance to investors, brokers and analysts and coordinating roadshows, including for the half-year and full-year result announcements.

13. Share trading

The Trading Policy imposes prohibitions on trading in the Bank's securities by Directors and staff members who are in possession of price sensitive information. A black-out period is imposed on Directors, members of the Executive Committee and other designated employees commencing 2 weeks before the end of each reporting period and ending on the date of each half-year and full-year result announcement.

The policy also requires designated officers to notify the Bank before and after trading in the Bank's securities. Share trading by designated officers is reported to the Board.

The policy prohibits Directors and members of the Executive Committee from using their Bank securities as part of a margin loan portfolio.

The policy also prohibits a participant in an equity incentive plan from entering into a transaction designed to remove the "at risk" element of an entitlement under the plan. A copy of the Trading Policy is available from our website.

14. Group Assurance

Group Assurance is an internal audit and credit risk review function that is independent of the business and of the external auditor. It provides a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control systems, and governance processes. The Head of Group Assurance has a direct reporting line to the Audit Committee and an administrative reporting line to the Company Secretary as well as direct access to the Managing Director and the Chair of the Audit Committee.

The strategic plan for the Group Assurance function is approved and monitored by the Audit Committee which also assesses and confirms the independence and effectiveness of the function.

The Board Audit Committee receives reports at each meeting on the status of the internal assurance plan, and those reports relating to credit risk also provided to the Credit Committee. Reports on specific reviews are also provided to other Board Committees as appropriate.

Group Assurance also has direct access to any member of staff and access to any information relevant to its work.

15. Financial reporting

The Directors are responsible for the preparation and fair presentation of the financial statements.

The Audit Committee assists the Board by providing oversight of the Group's financial reporting responsibilities including external audit independence and performance.

The Audit Committee responsibilities include the following:

- Reviewing the half-year and full-year statutory financial reports for recommendation to the Board.
- Reviewing significant accounting estimates and judgements used for the preparation of the financial reports.
- Reviewing and, if considered appropriate, approving changes in Group accounting policies and monitoring changes in accounting standard and disclosure requirements.

In accordance with the Group Risk Management Framework, a half yearly risk management declaration process is completed by the Group. The process is designed to provide assurance that the Group has identified material business risks associated with its activities and implemented appropriate risk management policies, frameworks, systems and procedures to manage those risks. The process is timed to support the approval of the Group's half year and annual statutory reporting requirements.

The process involves each Executive and other appropriate senior managers providing a risk management declaration, with support from their relevant line management, as to whether there are any known risk matters that could materially impact either the operations of the Group or the integrity of the statutory financial reports. The declaration process is supported by formal due diligence and verification processes coordinated by the Corporate Secretariat, and Finance and Treasury in relation to the integrity of the statutory financial statements.

The Managing Director and Chief Financial Officer have provided the required declarations to the Board in accordance with section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Recommendations in relation to the annual and half-year financial reports. The adequacy of the process implemented to support the declarations is reviewed and assessed by the Audit Committee each reporting period. The declarations are made on the basis that it provides a reasonable, but not absolute, level of assurance and does not imply a guarantee against adverse events or circumstances that may arise in future periods.

16. External auditor independence

The Audit Committee is responsible for maintaining a policy dealing with auditor independence, rotation and the provision of non-audit services, and monitoring compliance with that policy. The policy on audit independence sets out the factors that may compromise auditor independence. A copy of the policy is available from the Bendigo and Adelaide Bank website.

Under the policy, the Audit Committee's prior approval is required before the external auditor is engaged to provide any non-audit services. This enables the Audit Committee to assess whether there may be an impact on auditor independence (discussed below). The policy also requires the Audit Committee to receive the annual and half-year independence declarations from the auditor. The external auditor also meets regularly with the Audit Committee without the presence of management.

Non-audit services

The Audit Committee gives an annual and half-year statement to the Board as to whether the Audit Committee is satisfied that the independence of the external audit function has been maintained having regard to the provision of non-audit services.

As part of this process the Audit Committee receives a report, confirmed by Group Assurance, setting out the nature and scope of all non-audit services provided during the period, including fees, and confirmation from relevant senior management of any matters that might impact the auditor's independence. The Directors' Report includes a statement about whether the Directors are satisfied that the provision of non-audit services is compatible with the independence of the auditor.

Rotation of audit personnel

The policy provides that a person who plays a significant role in the audit must rotate if they have acted in that role for five successive years or, if they were to act, they would have played a significant role for more than five out of seven successive financial years. In such cases a person must not play a significant role in the audit for at least two successive financial years.

17. Risk management

The management of risk is a fundamental part of our strategy and operations. The financial prospects of any company are sensitive to the underlying characteristics of its business, the nature and extent of the risks associated with its activities and the effectiveness of the strategies established to manage these risks.

Our business is exposed to a broad range of economic and commercial risks. However, the material business risks that we actively manage are the key financial risks (credit risk, interest rate risk, traded market risk and liquidity risk) as well as operational risks including fraud, business disruption and property damage

Risk management framework

The Board has approved a Group Risk Management Framework ('risk framework') which establishes an integrated system of risk management governance and accountability for the material risks. The risk framework is supported by individual risk management frameworks for credit risk, operational risk, interest rate risk, traded market risk and liquidity risk. The risk framework comprises the following core risk management elements:

- a. Risk management governance;
- b. Risk management strategy and appetite;
- c. Risk management measurement and performance;
- d. Risk management culture and learning; and
- e. Risk management policies, standards and controls.

The risk framework is reviewed annually by the Risk Committee and Credit Committee with any appropriate changes recommended to the Board for approval. The review was completed for the 2016 financial year and there were no substantive changes to the risk framework. The changes were generally of an administrative nature and reflected organisational changes and amendments to other risk management documents, processes and responsibilities.

Risk management governance

The Board oversees the risk management strategy and framework taking into account the risk appetite, prudential capital requirements and strategic and business priorities of the Group. This includes setting the risk appetite, deciding on changes to the risk management framework and monitoring the effectiveness of the risk management framework.

The Risk Committee, Credit Committee and Technology & Change Committee assist the Board in relation to the oversight of risk including the risk appetite and risk management strategy. This includes monitoring the Group's risk profile to ensure it is consistent with the risk appetite statement, monitoring compliance with the risk framework and monitoring the risk culture.

Executive and senior management committees that assist the Board and Board committees in relation to risk management include the Executive Committee, Asset and Liability Management Committee, Management Credit Committee, Operational Risk Committee and Business Enablement Risk Committee.

Central to the risk framework are a number of independent risk management functions. The independent Group Risk function, comprising dedicated credit risk, middle office and operational risk units, is responsible for the design, interpretation and development of the risk framework policies, systems and processes, monitoring business unit adherence to the framework, monitoring material risks and reporting on compliance with the risk framework, as well as acting as a risk and control advocate across the organisation.

The credit risk function is responsible for implementing the credit risk management framework and monitoring the Group's credit risk profile. It oversees credit policy development, reviews and approves credit risk exposures in accordance with its delegated authority, monitors credit quality and portfolio performance and reports against limits specified in the risk appetite statement.

The operational risk function is responsible for implementing the operational risk management framework including policies, procedures and tools to assist the business in the management of operational risks. It provides independent challenge, oversight, monitoring and reporting of operational risks and operational risk events at a Group level.

The Middle Office function is responsible for monitoring traded market risk, interest rate risk and liquidity risk and oversees, supports and reports on the risk management activities of Group Treasury and the Financial Markets and Business Finance Division. This includes monitoring compliance with approved limits and targets and escalating notifications of breaches of policy or limits.

The Bank has also established a Technology Risk and Information Security function that is responsible for the identification and management of risks that may affect the information and systems that are important to our business and customers and ensuring risk management practices relating to information and systems are proactively developed and implemented to meet business requirements and the changing environment.

Three lines of defence

Our approach to managing risk is based on the three lines of defence model.

The first line of defence is the business itself. The day to day responsibility for managing risk rests with the Executive management team and business divisions. The Executive is responsible for implementing the risk management strategy and framework and developing strategies, policies and controls to manage risk in line with the approved risk appetite. Our business divisions are responsible for identifying, assessing and implementing systems and controls to manage the risks associated with their activities. All staff are responsible for managing operational risk associated with their day to day responsibilities including identifying and reporting operational risks, operational risk events and any near misses.

The first line also includes individual risk specialists ("Business Unit Risk Advisors") based within the business divisions. The risk specialists are responsible for promoting a strong risk culture and assisting the business unit heads and their business unit by providing day to day proactive focus on ensuring operational risks are managed.

The second line of defence is primarily our Group Risk (comprising credit risk, middle office and operational risk) and Technology Risk and Information Security functions that provide specialist risk management assistance to the business. The second line also includes Risk Business Partners who are part of Group Operational Risk. The Risk Business Partners provide independent advice, challenge and oversight in respect to operational risks associated with the business division's activities.

The third line of defence is the Group Assurance function which provides independent oversight of the risk management framework including assurance on the adequacy and effective operation of the framework.

Risk management strategy and appetite

Our risk management strategy is based on a risk appetite statement approved by the Board. All material risks are managed within a defined risk appetite which is linked to our strategy, planning framework and business objectives. As part of the strategic and business planning process the Board and management identify and consider the material risks associated with the strategic initiatives and business strategies including whether the risk framework continues to be adequate and the risk appetite remains appropriate.

The Board has determined the risk appetite and tolerance for credit risk, operational risk, interest rate risk, liquidity risk and strategic risk. The limits for interest rate and liquidity risks are set and monitored by the Asset and Liability Management Committee and Risk Committee and the limits for credit risk are set and monitored by the Management Credit Committee and Credit Committee.

The limits are based upon the level of capital the Board is willing to place at risk. The limits are calculated by aggregating quantifiable measures of interest rate, credit and liquidity risk.

Operational risk is governed by the Group's operational risk management framework that complies with applicable international and industry guidelines and principles.

The management of operational risk is performed using quantitative and qualitative self-assessment and the Group has defined general parameters to manage the Group-wide operational risk profile within the Board approved risk appetite and tolerances. The risk tolerance for operational risk is not articulated as specific financial measures but through the use of an escalation matrix and a set of defined key risk indicators which are monitored by the Operational Risk Committee and Risk Committee.

The risk appetite statement is reviewed, updated and approved annually by the Board and all supporting policies, limits and tolerances are reviewed regularly and updated to reflect approved changes to the risk appetite.

Risk management measurement and performance

The risk management framework defines and sets out the strategy and approach to managing and measuring credit risk, operational risk, interest rate risk, traded market risk, liquidity risk and strategic risk. Other risks which the Group is exposed include contagion risk, reputational risk, securitisation risk and model risk and these risks are assessed through the Internal Capital Adequacy Assessment Process and specific policies have been established for the management of these risks. Further information on the approach used to measure and manage credit risk, interest rate risk, traded market risk and liquidity risk is presented at Note [30] of the 2016 Annual Financial Report.

Stress testing is a key component of the Group's risk management framework and is used to understand, quantify and manage risks by analysing potential losses in stressed economic scenarios and assists in setting strategic plans, objectives, targets and risk appetite. The stress testing activities are governed by the Group Stress Testing Policy ("Policy") which is supported by enterprise-wide stress testing standards.

It is also used for the allocation of capital to material risks and the formulation of internal capital ratios, monitoring the risk profile, capital requirements and resilience of the Group under normal and stressed operating conditions. It assists in understanding the potential impacts of severe but plausible stress events on the Group's ongoing viability such as access to funding, liquidity and capital markets, and identifying strategies to meet changing macroeconomic conditions.

Specific stress testing activities are also undertaken regularly for each of the Group's material risks including credit risk, traded-market risk, non-traded market risk and liquidity risk.

In relation to operational risk, the Group does not currently have a stress testing model. Rather, the Group has established a scenario analysis methodology which is used to assess, on a forward looking basis, potentially severe operational risk exposures under a number of scenarios. The risk profiles of potential exposures are regularly monitored.

Risk management culture

A key element of the framework is our risk culture. Embedded in our values and culture is the expectation of staff doing the right thing including taking responsibility for managing the risks inherent in their day to day business responsibilities and engaging with other Group stakeholders including the broader community to deliver a sustainable business outcome for all.

Our staff remuneration arrangements have been deliberately structured to prioritise and protect our values and culture. For example, our staff do not receive commissions on product sales, an approach which we believe is more likely to lead to positive outcomes for our customers.

Risk management policies, standards and controls

The Group's risk management framework is supported by a comprehensive range of documented policies, standards and procedures covering credit risk, market risk, liquidity risk and operational risks. The Group has established a policy, standard and procedure framework to ensure a consistent and structured approach is applied to the development and ongoing maintenance of risk management policy, standard and procedure documents.

18. Non-Executive Director and Executive remuneration

The Governance & HR Committee assists the Board in relation to the remuneration practices and arrangements for the Group. Information on the Governance & HR Committee's remuneration responsibilities and membership, as well as policy, structure and practices regarding Director and Executive remuneration are set out in the 2016 Remuneration Report which forms part of the 2016 Annual Financial Report (available from our website).

The 2016 Remuneration Report includes a summary of the policies and practices regarding the deferral of performance based remuneration as well as applicable reduction, cancellation and claw-back arrangements. It also includes the Director and Executive remuneration payments and awards for the 2016 financial year. The Trading Policy and Remuneration Policy set out restrictions on participants entering into transactions that remove or limit the at-risk element of equity based remuneration.

19. Annual General Meeting

The Board encourages shareholder participation in shareholder meetings. Shareholders that cannot attend in person may participate through a webcast and can vote on the meeting resolutions by either casting a direct vote or appointing a proxy. The direct vote or proxy voting instructions can be lodged either online or by mail.

Shareholders are encouraged to submit written questions to the Board in advance of the Annual General Meeting. Shareholders may also ask questions to the Bank for the auditor about the audit of the Annual Financial Report to be considered at the Annual General Meeting. The questions can be submitted online or by mail.

The external audit engagement partner is required to make sure that a suitably qualified representative attends the Annual General Meeting. The Chair of the meeting provides an opportunity for shareholders at the meeting to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and conduct of the auditor's report, the accounting policies adopted by the Bank in relation to the preparation of the 2016 Annual Financial Report and the independence of the auditor. The Chair also allows a reasonable opportunity for the representative of the auditor to answer written questions submitted before the meeting.

20. Sustainability risk

Our approach to sustainability starts with our Vision and Strategy and is supported by our Purpose Statement, Values and the way we conduct our business. Sustainability is a fundamental component of our business strategy. We believe our strength comes from our focus on the success of our customers, people, partners and communities and that our performance should not only be measured in terms of growth, profits and dividends, but also by the longer term contribution our business provides to communities, local people and the environment.

Our vision is to be Australia's most customer connected bank and our strategy is focussed on the success of our customers, people, partners and communities. The approach to achieve our vision is to take a long term (100 year) view of the business; listening and responding; respecting every customer's choice, needs and objectives; partnering for shared success, empowering collaboration and inclusion and having a clear purpose that is supported by our values.

Our Purpose provides a common understanding of what we truly and collectively care about as an organisation. It defines why we are here, what we believe in as an organisation and why we do and say the things we do and it underpins our strategy and day to day operations. Supporting our vision, strategy and purpose are our corporate values. The values form part of our Code of Conduct and guide our behaviour and interactions with customers, suppliers, shareholders and communities.

Details of material business risks, including material economic, environmental and social sustainability risks together with an overview of the Group's approach to managing these risks are provided in the Operating and Financial Review section of the Directors' Report and the 2016 Annual Review which are available from our website at www.bendigoadelaide.com.au/public/shareholders/annual_reports.asp.

21. Diversity

Our Diversity Policy and Objectives

Bendigo and Adelaide Bank in accordance with the ASX Corporate Governance Principles and Recommendations, makes the following disclosures:

Our approach to diversity and inclusion is outlined in the Board Diversity framework and policy which is founded on our code of conduct and corporate values. The policy can be accessed at bendigoadelaide.com.au:

www.bendigoadelaide.com.au/public/corporate_governance/policies/diversity-framework-and-policy.asp

The Board and Executive are committed to having a more a diverse workforce on all levels, and we have set the following two focus areas for July 2015 - June 2018;

- Embed an inclusive culture where everyone is treated with respect and have opportunities to develop and grow through inclusive recruitment practices and life stage and flexibility initiatives.
- Continue the focus on creating better gender balance through women in leadership initiatives but expand our measures to all levels of leadership across the organisation.

The Executive Committee is directly responsible for the management and delivery of the policy, strategy and measurable objectives, including specific objectives on gender diversity.

The Governance & HR Committee receive regular quarterly progress updates on achieving the diversity and inclusion measurable objectives from People and Performance.

The Board and Executive acknowledge that a functioning diverse workplace is free from discrimination, harrasment, vilification and victimisation. Bendigo and Adelaide Bank has the appropriate policies in place to create an inclusive environment.

Our WGEA Workplace Profile

As part of the requirements set by the Workplace Gender Equality Act 2012 (WGEA), the company has prepared its gender diversity profile.

WEGA Definition	2014 #	2014 %	2015 #	2015 %	2016 #	2016 %	Women in Leadership Objectives
Chief Executive Officer	0/1	0.0%	0/1	0.0%	0/1	0.0%	
Key Management Personnel	3/9	33.3%	3/9	33.3%	4/9	44.4%	At least 33%
Other Executives/ General Managers	14/59	23.7%	14/55	25.5%	13/56	23.2%	At least 33%
Senior Managers	55/239	23.0%	68/238	28.6%	73/246	29.7%	At least 33%
Total Senior Management Leaders	69/298	23.2%	82/293	28.0%	86/302	28.5%	At least 33%
Other Managers (Middle & Frontline Management)	286/769	37.2%	372/907	41.0%	342/818	41.8%	At least 45%
Total Leadership	358/1077	43.1%	457/1210	37.8%	432/1130	38.2%	At least 42%
Professionals	505/1172	43.1%	546/1334	40.9%	614/1489	41.2%	
Clerical & Administrative*	1393/1808	77.0%	1115/1472	76%	1093/1455	75%	
Sales Employees*	1015/1194	85.0%	1310/1560	84.0%	1289/1543	83.5%	
Total Other Employees	2913/4174	69.8%	2971/4366	68.0%	2996/4487	66.8%	
Total employees	3271/5251	62.3%	3428/5576	61.5%	3428/5617	61.5%	

*The large change here has been the reclassification of a job group from Clerical & Administrative to Sales.

A copy of the report provided to WGEA can be accessed at: <https://www.wgea.gov.au/public-reports-0>

Our progress

The Group's gender diversity initiatives during FY 2015/2016 include:

1. Leadership programs

A key focus for gender equality has been the development and implementation of leadership programs to proactively assist in creating a pipeline of women to progress to senior leadership positions across the organisation.

The Bank's inaugural Women in Leadership program concluded in 2015, with 17 senior women participating. In June 2016 a new phase of the Women in Leadership program was launched.

To complement the Women in Leadership program, we have run a "Speakeasy" program for 160 participants. Speakeasy aims to develop women's public speaking and influencing skills.

Our broader leadership programs continue to provide significant leadership development for our future women leaders with participation sitting at a 50:50 gender representation.

2. Female Financial Fitness sessions

We know that women face some specific and common financial challenges.

During the year, we have delivered Female Financial Fitness sessions specifically targeted at addressing some of these challenges to more than 200 women across the Bank.

3. Creating connection

A dedicated Women in Leadership social media group has been established so that our staff can share stories, request information and increase awareness of barriers facing women in leadership.

Other initiatives

At Bendigo and Adelaide Bank our diversity and inclusion focus extends beyond gender to age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity. A summary of the Group's broader diversity and inclusion initiatives during FY 2015/2016 is included below:

1. Life stages and flexibility

Flexibility is important as a foundation for our diversity and inclusion initiatives, from parental leave to caring for elderly parents to transition to retirement. A key focus for our organisation over the past 12 months has been our maturing workforce, with the launch of the Mature Age Toolkit which extends beyond retirement planning and helps our people identify what they want from the rest of their career.

2. Indigenous

The Bank is partnering with Jawun to give our people the opportunity to grow and develop through an immersive secondment experience. Jawun is an innovative not-for-profit organisation which places skilled people from Australia's leading companies and government agencies into indigenous organisations. The secondees share their expertise and support indigenous leaders, organisations and communities to achieve their own development goals. This in turn leads to lasting, material and measurable improvements in the lives of indigenous people in those communities.

At an organisational level, partnering with Jawun, in joining the secondment program, aligns strongly with our focus of partnering to build strong communities and help those communities achieve their goals.

3. LGBTI

We are pleased to announce a new partnership with Pride in Diversity. Pride in Diversity is Australia's first and only national not-for-profit employer support program for all aspects of lesbian, gay, bisexual, transgender and intersex (LGBTI) workplace inclusion.

Pride in Diversity are specialists in HR, organisational change and workplace diversity dedicated to improving the health and wellbeing of LGBTI people by reducing exclusion, invisibility, homophobia and stigma in the workplace. A focus on LGBTI in our workplace is the next step in our diversity and inclusion journey.

Please refer to the Annual Review for further information on Bendigo and Adelaide Bank's diversity and inclusion initiatives.