

New MD & Chair: What does it mean for shareholders?

Company/ASX Code	Bendigo and Adelaide Bank/BEN
AGM time and date	11am AEDT Thursday 7 November 2024
Location	Capital Theatre 50 View St Bendigo VIC
Registry	Link Market Services
Type of meeting	Hybrid, with online voting and questioning.
Monitor	Eric Pascoe Assisted by Norm West
Pre AGM-Meeting	With Chair Vicki Carter and MD Richard Fennell

Monitor Shareholding: The individuals involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	Proposed vote for open proxies
2	Re-election of Vicki Carter as a Director	For
3	Re-election of Richard Deutsch as a Director	For
4	Re-election of Abi Cleland as a Director	For
5	Re-election of Daryl Johnson as a Director	For
6	Adoption of Remuneration Report	For
7	Approval of the grant of Performance Rights to CEO/Managing Director Richard Fennell	For
8	Increase in Non-Executive Directors Fee Pool	For
9	Renewal of proportional takeover provisions	For

2. Summary of Issues and Voting Intentions for AGM

There is a new Chair, Vicki Carter and new MD Richard Fennell at BEN following some, mostly unplanned, departures. Appointed BEN Chair in 2023, David Foster, suffered reputational damage as Chair of Star Entertainment Group and was quickly replaced at BEN by existing NED, Ms. Carter in April 2024. Soon after, CEO & MD Marnie Baker announced her retirement and was quickly replaced by internal appointment Richard Fennell. After the end of the FY24 David Foster resigned as Director. These were not the well planned, well communicated transitions that have characterised BEN in the past.

What does the new regime mean for shareholders? Your monitors have felt in the past that BEN was very good at administration, was a leader with Environmental/Social/Governance issues and being a good corporate citizen but perhaps lacked a drive and focus on profitability and growth. Richard Fennell was a past CFO at BEN. At our pre-AGM meeting with the Chair & MD it was

encouraging to hear them talk enthusiastically about what they would like to achieve financially. Perhaps the pendulum is swinging back at BEN to a stronger focus on financials and shareholder returns.

3. Matters Considered

Accounts and reports

Total Income increased 1.1% to \$1,954.2m, Statutory NPAT rose 9.7% to \$545m but Cash Earnings after Tax fell a modest 2.6% to \$562m. The Net Profit result was made look more impressive by a substantial write-off in FY23. The market received the results favourably and they were largely in-line with the major banks.

Net interest margin (NIM) fell slightly from 1.94% in FY23 to 1.90% in FY24 due to intense competition in both the lending and deposits markets. NIM was stronger in the second half than the first.

Operating Expenses are the Achilles heel of the smaller banks and the Cost to Income ratio blew out from 54.9% in FY23 to 57.5% in FY24. This shortfall led to a reduction of 20% of the short term incentive (STI) opportunity.

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	545.0	497.0	488.1	524.0	192.8
UPAT (\$m)	562.0	576.9	500.4	457.2	301.7
Share price (\$)	11.49	8.59	9.07	10.49	7.01
Dividend (cents)	63	61	53	50	31
Simple TSR (%)	40.6	0.77	-6.8	55.5	-36.4
EPS (cents)	96.3	87.9	87.5	98.1	38.1
CEO total remuneration, actual (\$m)	4.329	2.662	1.829	1.773	1.680

The CEO's total actual remuneration is 43 times annualised Australian Full time Adult Average Weekly Total Earnings (based on data from the Australian Bureau of Statistics).

The CEO's pay spiked unusually this year due to an FY21 Loan Funded Share Plan (LFSP) incentive which vested realising a net \$1.791m in actual income. The LFSP has been discontinued since FY22 and was particularly lucrative on this occasion due to the growth in BEN's share price in FY24.

Key Board or senior management changes

At our FY23 pre-AGM meeting with BEN the ASA raised serious concerns about them appointing David Foster as new Chairman, someone who was the already Chairman of a gaming company (Star Entertainment Group). We thought being the Chair of two such disparate companies was

incongruous. Mr Foster subsequently became embroiled in a saga at Star Entertainment and stood aside from his duties at BEN before ultimately leaving all together.

Vicki Carter, the new Chair at BEN told ASA that the board had been having early discussions with Marnie Baker about her retirement as CEO as far back as late 2023. The market was surprised however when Ms Baker's retirement and Richard Fennell's appointment as CEO/MD was simultaneously announced to the market on 2 July. Mr Fennell is an internal appointment but the Chair maintains a national search was conducted and Mr Fennell proved to be the outstanding candidate.

The transition to a new CEO/MD and Chair at BEN could have been managed better and has been less well planned compared to previous transitions.

BEN's board skills matrix identifies four levels of each skill (expert, advanced, capable and limited) but does not itemise the skills of each director. Whilst an improvement on prior tables it has much to improve upon. Best practice identifies individual directors and their audited skill level.

Sustainability/ESG

BEN prides itself on being at the forefront of Sustainability and ESG reporting. They speak proudly of their ESG credentials and investment in community. This year their reports have been prepared in accordance with the Global Reporting Initiative (GRI). In FY24, BEN joined the Business For Societal Impact (B4SI) Network as a member and have commenced reporting their community contributions in alignment with B4SI methodology. The 2024 GRI Index and B4SI contributions can be found in the comprehensive 2024 ESG Data Summary. In 2024 BEN maintained its MSCI ESG rating at 'A'.

4. Explanation of Voting Intentions

Election or re-election of directors

The ASA has no reason to oppose the election of any of the four directors up for re-election. The board has an excellent gender balance and all candidates are well qualified, exhibiting diverse skills. They are not over burdened with other director duties and may all fairly be determined 'independent'.

Vicki Carter, the newly appointed Chairperson for BEN has had 30 years' experience working for the likes of NAB and Telstra in senior roles. She joined Bendigo & Adelaide Bank board in 2018. She is a director at ASX listed companies IPH Ltd and ASX Ltd. Every indication is that she will be very focussed on BEN.

Richard Deutsch has been a member of the board since September 2021. As a former CEO of Deloitte's, he has considerable audit and advisory experience. He is also a director of AUB Group.

Abi Cleland only joined the board in April 2024 and is up for election. She has global experience in strategy, digital, M&A, and operations across a variety of industries including financial services. She is a director at Coles and Computershare.

Daryl Johnston is up for election having just joined BEN board on 30 September 2024 as an independent non-executive director. Daryl has 40 years banking experience having held senior roles with ANZ, NAB and Rabobank.

BEN has a minimum share holding policy of 100% of annual base board fee after 5 years and all directors comply with this.

Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO

ASA, whilst not entirely happy with the remuneration report because of its complexity, will support it and the granting of the CEO's performance rights. It is very little changed from the remuneration report that we supported last year, and the CEO's remuneration is not excessive. The number of LTI Performance Rights is allocated on a face value methodology (See below for a detailed breakdown of incentive hurdles). The MD's Performance Rights are tested over 4 years and take another 2 years to fully vest.

The previous MD had a maximum LTI opportunity equal to 65% of her Fixed Salary of \$1.5m. In an announcement to the ASX, BEN declared that the new MD's maximum LTI opportunity is 105% of his Fixed Salary whilst all other aspects of the pay structure appear to remain the same. ASA will question this change at the AGM.

Increase in Non-executive Directors Fee Pool

The board is seeking to increase the NED's fee pool by 20% to \$3m. Whilst this is a large increase no adjustment has been made to the fee pool since 2011. In FY24, BEN paid out 77% of the existing cap (\$2.5m) to directors. There has been no announcement of increasing the size of the board.

Renewal of proportional takeover provisions

Pursuant to section 648G of the Corporations Act 2001, BEN is seeking to renew for a period of 3 years the Proportional Takeover approval provisions of their constitution which is in the best interest of shareholders.

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Appendix 1 Remuneration framework detail

CEO rem. Framework for FY25	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$1.5m	39%	\$1.5m	36%
STI - Cash	\$0.375m	10%	\$0.525m	13%
STI - Equity	\$0.375m	10%	\$0.525m	13%
LTI	\$1.575m	41%	\$1.575m	38%
Total	\$3.825	100.0%	\$4.125m	100%

Short Term Incentive scorecard factors are; **Weighting**

- Cost to Income ratio 20%
- Cash Earnings 20%
- Profit after capital charge 10%
- Customer experience and satisfaction 20%
- Employee experience and diversity combined with implementation of the climate change action plan 10%
- Risk and governance uplift 20%

Fifty percent of the STI is paid in cash and 50% is deferred rights.

There is an 'Individual Modifier' which can reduce STI outcomes to zero or increase them to 120% of the scorecard outcome.

Long Term Incentive Hurdles; **Weighting**

- Relative TSR (against ASX S&P 100 Financials) 40%
- ROE over 4 years 25%
- Relative customer NPS 20%
- Reputation Index 15%