

PRUDENTIAL STANDARD APS 330 - PUBLIC DISCLOSURE  
ATTACHMENT G – REMUNERATION DISCLOSURES  
As at 30 June 2019

The purpose of this report is to make available to the general public quantitative and qualitative information about remuneration practices for “senior management” as required under the Australian Prudential Regulation Authority (APRA) prudential standard APS 330 Public Disclosure. This has been completed in accordance with the Remuneration Policy of QPCU Limited (QBANK). The period reported refers to the financial year ended 30 June 2019.

### Oversight of Remuneration

The Board has established a Governance and Remuneration Committee (the Committee), which is comprised of three independent non-executive directors. The Board may also appoint outside experts to the Committee if it believes it is desirable to do so.

One of the roles of the Committee is to assist the Board to develop, oversee, implement and review QBANK’s Remuneration Policy and remuneration practices. The Committee does not have decision-making powers but acts on the direction of, and makes recommendations to, the Board. The Board retains overall and ultimate responsibility for remuneration policies and practices. Under its Charter, the Committee has the following specific responsibilities:

- J Make annual recommendations to the Board, in respect to the provisions of the Remuneration Policy including confirmation that it has been designed to encourage behaviour that supports QBANK’s long term financial soundness and the risk management framework of the institution, and complies with the principles set out in CPS 510;
- J Make recommendations to the Board, consistent with the Remuneration Policy, on the remuneration of the categories of persons covered by the Remuneration Policy;
- J Make annual recommendations to the Board, consistent with the Remuneration Policy, on the remuneration structure applicable to the workforce and by exception the remuneration of any staff member outside the approved framework;
- J Conduct reviews of the Remuneration Policy at least annually including assessment of the policy’s effectiveness and compliance with Prudential Standard CPS 510;
- J Review and recommend to the Board the remuneration framework for directors, the CEO and the senior managers;

- J Review and recommend to the Board remuneration policies and practices for directors, the CEO and senior managers of QBANK including remuneration philosophy and structure, performance incentives and superannuation;
- J Review and make recommendations to the Board regarding policies and decisions made under policies regarding incentive and performance payments to the CEO and senior managers of QBANK;
- J Review the company's reporting of its remuneration policies and practices; and
- J Carry out any other functions delegated to the Committee from the Board.

During the financial year, the Committee has used the services of McGuirk Management Consultants Pty Ltd as remuneration experts for advice on such things as market based remuneration ranges and positioning, and market movements in remuneration ranges.

### Scope

The Remuneration Policy applies to all senior management positions and the Internal Auditor in accordance with APS 510. Other management positions, as approved by the Board, are also governed by the policy.

For the purposes of APS 330, only the Executive Management Team (comprising the Chief Executive Officer, Chief Risk and Governance Officer, Chief Financial Officer, Chief of Distribution and Partnerships, Chief Operating Officer and Head of Technology and Transformation) are considered "senior managers". No employees are considered material risk takers.

### Design and Structure of Remuneration Processes

The objectives of QBANK's remuneration arrangements are to:

- J Attract and retain capable and talented managers and staff to drive growth in an increasingly competitive environment;
- J Provide incentives to managers and staff for outstanding performance in line with prudent company management and effective corporate governance;
- J In relation to variable or performance-based remuneration, to encourage behaviour that supports QBANK's long term financial soundness and risk management framework, including supporting a strong risk culture;
- J Ensure the independence of Risk and Financial Control personnel in the performance of their functions is not compromised; and

- J) Ensure compliance with corporate governance requirements including requirements under CPS 510, relevant sections of CPS 520 and QBANK's obligations under the Banking Executive Accountability Regime (BEAR).

The Remuneration Policy is reviewed annually by the Committee. The annual review was completed in February 2019 with amendments made to include the role of the Committee to undertake annual monitoring of variable remuneration levels within QBANK in the event they near the legislated threshold for deferred payment under BEAR. In addition, performance scorecard measures were revised to reflect the current strategic focus of the Bank.

Remuneration of positions covered by the Remuneration Policy consists of fixed and performance-based components. The fixed components consist of base salary, compulsory superannuation benefits, and other fringe benefits. Personnel covered under the Policy may also elect to salary-sacrifice part of their base salary for approved benefits in accordance with QBANK policies.

The performance-based remuneration component comprises cash payments only, which are variable and paid annually. QBANK does not provide equity or equity-linked forms of remuneration.

No long-term incentives or "deferred benefits" are provided.

For senior managers, annual performance-based cash payments are based on scorecards outlining key performance indicators (KPIs) designed to align remuneration with prudent risk management, risk outcomes and business performance.

The scorecards are focused on a broad suite of non-financial and risk-based measures including delivering strategic business results/priorities, member value and service, attainment of financial goals, achievement of functional key result areas in line with QBANK's strategic plan as well as demonstrated leadership competence and organisation culture. The targets and measures are set at the commencement of the performance year to ensure effective alignment with corporate goals and QBANK's risk management framework, and provide for a degree of stretch as recommended by the Committee and approved by the Board.

The Board has the discretion to adjust the performance-based components of remuneration downwards, to zero if necessary, in order to respond to significant adverse, unexpected or unintended consequences affecting QBANK, to protect the financial soundness of QBANK, for non-compliance with individual responsibilities outlined in BEAR Accountability Statements, or for any other reason.

## Focus on Risk Management

As part of the annual performance review, senior managers' performance is measured against key result areas including:

- ) Effective and efficient risk management, control and reporting;
- ) Compliance with relevant acts, regulations, internal and external standards;
- ) Acting in accordance with QBANK values; and
- ) Delivery of expected outcomes or contribution from their area of functional oversight.

For the 2018/19 financial year, no incentive was payable if Net Profit Before Tax was less than \$2.5m and/or QBANK did not demonstrate satisfactory compliance with key Risk and Compliance obligations, as well as APRA prudential standards, prescribed minimum ratios for Capital Adequacy and liquidity management and employment/industrial relations obligations, including the Fair Work Act, WHS and EEO legislation.

These measures are intended to ensure a focus by all senior managers on risk management and quality.

## Performance Based Assessment

The performance of staff, including senior managers, is reviewed annually. Individual employee performance is assessed against KPIs for the role, QBANK values and established competency benchmarks. Consideration is also given to other significant factors affecting performance, if applicable.

KPIs are linked to or aligned with the organisation's strategic and financial objectives, risk appetite statement and policy requirements where possible. Competencies outline the level of skill, capability and proficiency required by an employee at various levels and positions within the organisation. Together with the Code of Conduct, the QBANK values articulate the professional behaviour expected across the board. These indicators provide clear guidance on the performance expectations of staff.

Employee performance is reviewed against each of the indicators noted above and an evaluation of individual performance is given using a rating scale. The employee's overall contribution and rating determines eligibility for consideration of an increase to fixed remuneration.

Employees, other than senior managers and management positions covered by the Remuneration Policy, may be eligible for consideration of a one-off end of year cash performance payment, in addition to fixed remuneration, based on individual overall performance.

There has been no substantive change to the performance based remuneration framework for staff over the last 12 months.

### Review of Remuneration

The review of remuneration commences with a review of the Australian Bureau of Statistics Wages Price index and published Australian general market salary surveys as well as for the banking and finance industry and for other customer owned banks of similar size and scale to QBANK (where available).

Consideration is also given to the organisational performance and profitability of QBANK, general economic indicators, and inflation.

Following the compilation of this data, remuneration levels for senior managers and the Internal Auditor are considered by the Committee with recommendations made to the Board.

### QUANTITATIVE DISCLOSURES

Quantitative disclosures made below relate to all staff identified as senior managers of QBANK in accordance with APS 330.

#### Governance and Remuneration Committee

The committee held four meetings during the financial year.

All committee members are paid an allowance as Directors of QBANK which is payable irrespective of their role on the Committee. An additional allowance of \$4,000 per annum is paid to the Chair of the Committee.

#### Remuneration

Six senior managers were paid variable remuneration in terms of APS 330 during the 2019 financial year. No termination payments were made during the year. There were no guaranteed bonuses or sign-on awards made during the financial year.

No deferred remuneration was payable or accrued. As a result, there were no implicit or explicit adjustments to remuneration for staff.

## Remuneration Awards

Total Value of Remuneration Awards for the Financial Year ending 30 June	2019		2018	
	Unrestricted	Deferred	Unrestricted	Deferred
<b>Fixed Remuneration</b>				
) Cash – based <sup>1</sup>	\$1,554,688	\$-	\$1,412,491	\$-
) Shares and share – linked instruments	\$-	\$-	\$-	\$-
) Other	\$-	\$-	\$-	\$-
<b>Variable Remuneration</b>				
) Cash – based	\$174,400	\$-	\$121,660	\$-
) Shares and share – linked instruments	\$-	\$-	\$-	\$-
) Other	\$-	\$-	\$-	\$-

Remuneration includes all payments made and accrued during the last financial year, including provision for annual and long service leave, and superannuation paid by QBANK.

<sup>1</sup> Includes termination payments (if applicable) made during the year.