

## REGULATORY DISCLOSURE

### ANNUAL REMUNERATION INFORMATION FOR THE CONSOLIDATED GROUP

#### Qualitative Disclosures

- (a) The Board Remuneration Committee is responsible for overseeing the remuneration policies and practices that determine the remuneration for all employees employed by QTMB. The Board Remuneration Committee discharges this responsibility by conducting regular reviews of, and making recommendations to the Board on the Remuneration Policy; making annual recommendation to the Board on the remuneration of the CEO; making annual recommendation to the Board on the approval of and subsequent payment of the Short Term Incentive Schemes applicable to the Executives and staff of QTMB, and reviewing the methodologies adopted by the Management Remuneration Committee in determining the remuneration of all employees of QTMB, including the direct reports of the CEO and other persons whose activities may, in the Board Remuneration Committee's opinion, affect the financial soundness of the Mutual Bank. The Remuneration Committees (Board and Management) operate in accordance with written charters and terms of reference that outline the Committee's roles, responsibilities and terms of operation.

The Board Remuneration Committee is comprised of four non-executive directors. The Remuneration Committee meets at least two times a year and as required. During the year, the Chair of the Board, on behalf of the Board Remuneration Committee, engaged Mercer Consulting (Australia) Pty Ltd ('Mercer') to review and provide advice on the market based remuneration, including short term and long term incentives, for the CEO. The Chair of the Management Remuneration Committee seeks advice directly from Mercer in regard to market based remuneration and market movements for employees including the Executives. The information obtained pertains to the 'General Market' and the 'Finance Sector'.

The Board Remuneration Committee considers the following employees senior managers in accordance with CPS 510:-

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer
- Chief Marketing Officer
- Head of Sales
- Chief Risk Officer
- Head of Human Resources

The Board Remuneration Committee has determined that there are no other employees who are considered as 'material risk-takers' in accordance with APS 330.

(b) The Remuneration Policy is considered an important component in attracting and retaining people who have the necessary skills for the effective and prudent operation of the Mutual Bank. The Remuneration Policy is designed to provide assurance that remuneration decisions:-

- Are aligned to QTMB's vision and strategies.
- Support a prudent approach to risk management and long term financial soundness.
- Ensure that the independence of Risk and Compliance Personnel in the performance of their functions is not compromised.
- Aid the attraction and retention of talented people.
- Provide equity, consistency and transparency.
- Are market relevant and affordable.
- Comply with corporate governance requirements.

The remuneration policy is reviewed annually by the relevant Remuneration Committees and no material changes have been made in the current financial year.

The remuneration of risk and compliance employees is determined through the job evaluation process. All remuneration movements are determined by the relevant Remuneration Committee to ensure that the reporting obligations are not compromised by financial incentives.

(c) As detailed in the Remuneration Policy, the structure of the remuneration arrangement comprises both fixed and variable components as well as an annual bonus.

#### **Fixed Component**

Fixed compensation consists of salary, including any applicable salary sacrifice arrangements that relate to employee benefits including motor vehicles, leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board Remuneration Committee through a process that considers individual and overall performance of the Mutual Bank and the markets in which it operates.

The QTMB Human Resources Division uses the Mercer system of job evaluation to score the value of all positions. Mercer has assisted QTMB to develop a set of remuneration bands for each level using the General Market benchmark.

All employees are paid a fixed sum of remuneration within the designated remuneration band according to individual competence and performance. Typically, employees are paid between the minimum and mid point of the remuneration band with the mid point indicating an expected standard for a person who has the required level of knowledge, skills and experience to successfully meet the job requirements.

## **Variable Component**

Employees have opportunities to participate in various variable pay arrangements. Discretionary variable pay is dependent on the achievement of both financial and non-financial objectives as set out in the strategic plan and budget approved by the Board.

The variable pay element is differentiated by performance. Taking into account the expected value of remuneration awards, the performance related elements of pay make up a minor proportion of the total remuneration package for staff.

Performance is then measured and reviewed on a regular basis against the objectives, which include financial and non-financial metrics.

## **Annual Bonus (Performance Linked Compensation)**

Most Head Office staff are eligible to receive an annual bonus.

The annual bonus earned by an individual is dependent on the extent to which achievement of the objectives of the Mutual Bank have been met as well as individual performance which is reviewed and rated annually.

- (d) The determination of bonus pools is a discretionary process based on various performance metrics i.e. financial and non-financial metrics. Financial metrics include profitability ratios, asset growth targets and customer relationship and productivity measures. Non-financial metrics include customer satisfaction and staff satisfaction, number of control deficiencies and compliance errors and the progress in relation to strategic projects. In determining the payout under any component of variable pay, the Mutual Bank adopts, as policy, the use of discretion to assess the extent to which performance has been achieved as well as applying set targets. As such, the Board Remuneration Committee retains discretion to vary the bonus pools to reflect the achievement of the performance metrics.
- (e) Effective 1 July 2014, QTMB approved a Long Term Incentive Scheme for the Chief Executive Officer which, if payable, vests effective 30 June 2017.
- (f) Incentive schemes based on achieving certain sales performance measures are designed to align with the Board approved annual Business Plan and Budget as well as certain quality assurance and operational risk and compliance measures.

## **Quantitative Disclosures**

- (g) During the year, the Board Remuneration Committee met four times. The total remuneration paid to its members for the 2015/16 financial year was \$263,436 (2014/15: \$194,360) which includes their annual base QTMB director fee. There was no additional remuneration paid to the members of the Remuneration Committee for their participation in the Remuneration Committee.

- (h) The table below represents the number of senior managers who received variable remuneration during the financial year.

	2016		2015	
	No of Employees	Total	No of Employees	Total
Short Term Incentive Scheme (STI)	7	\$426,378	7	\$396,150
Termination Payments	1	\$355,000	2	\$471,149

There were no guaranteed bonuses or sign-on awards made to senior managers during the year.

- (i) No deferred remuneration was paid out during the 2015/16 financial year (2014/15: Nil). The total deferred cash-based remuneration outstanding as at 30 June 2016 was \$166,666 (2014/15 \$83,333).

- (j) The table below represents the total remuneration of those that held a senior manager position during the year.

	2016			2015		
	Unreserved	Deferred	Total	Unreserved	Deferred	Total
Fixed cash-based remuneration	\$2,077,358	-	\$2,077,358	\$1,989,949	-	\$1,989,949
Variable cash-based remuneration	\$781,378	\$83,333	\$864,711	\$867,299	\$83,333	\$950,632

- (k) There are no deferred or retained remuneration exposures for employees.