

## **Bananacoast Community Credit Union Ltd**

**For the Year Ended 30 June 2017**

### **Prudential remuneration disclosures**

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 Bananacoast Community Credit Union (bcu). The period reported refers to the financial year ended 30 June 2017.

### **Oversight of Remuneration**

The Board has established a Board Governance 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 bcu's

- 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 bcu's long term financial soundness and the risk management framework of the institution, and complies with the principles set out in CPS 510;
- Make recommendations to the Board, consistent with the Remuneration Policy, on the remuneration of the categories of persons covered by the Remuneration Policy;
- 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
- Conduct annual reviews of the Remuneration Policy including assessment of the policy's effectiveness and compliance with Prudential Standard CPS 510;
- Review and recommend the remuneration framework for directors, the CEO and senior managers;
- Review and recommend remuneration policies and practices for directors, the CEO and senior managers of bcu including remuneration philosophy and structure, performance incentives and superannuation;
- Review and make recommendations to the board regarding policies and decisions made under policies regarding incentive and performance payments to the CEO and senior management of bcu;
- Review the company's reporting of its remuneration policies and practices and
- Carry out any other functions delegated to the Committee from the Board.

### **Scope**

The Remuneration Policy applies to all senior management positions, including the Chief Risk Officer (“Executive Managers” also called the “Executive Management Team”), in accordance with APS 510.

For the purposes of APS 330, only the Executive Management Team (comprising Six managers) are considered as “senior managers”. No employees are considered material risk takers.

### **Design and Structure of Remuneration Processes**

The objectives of bcu's remuneration arrangements are to:

- attract and retain capable and talented managers and staff to drive growth in an increasingly competitive environment;
- provide incentives to managers and staff for outstanding performance in line with prudent company management and effective corporate governance;
- in relation to performance-based remuneration, to encourage behaviour that supports bcu's long term financial soundness and risk management framework, including supporting an appropriate risk culture,
- ensure that the independence of Risk and Control personnel in the performance of their functions is not compromised, and
- ensure compliance with corporate governance requirements including CPS 510 and CPS 520.

It is bcu's policy to review the Remuneration Policy annually by the Committee.

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. Staff can elect to salary sacrifice further benefits.

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The performance-based component comprises short term and long term benefits, which are variable and are paid For Senior Managers, short term and long term benefits are cash performance bonuses based on demonstrated The Board has the discretion to adjust the performance-based components of remuneration to zero if necessary due to Performance based remuneration for all Senior Managers takes the form of cash payments only. bcu does not provide equity or equity-linked forms of remuneration.

### Focus on Risk Management

As part of the fixed remuneration provided to Senior Managers, performance is measured on an annual basis against key result areas including:

- Effective and efficient risk management and control,
- Compliance with relevant acts, regulations, internal and external standards, and
- Delivery of expected outcomes or contribution from their area of functional oversight.

For the 2016/2017 financial year, no incentive was payable if Net Profit before Tax was below target and/or bcu did not demonstrate satisfactory compliance with Risk and Compliance KRA obligations in Senior Managers individual incentive score cards.

No changes have been made to these measures and their impact on remuneration over the past year.

Risk	Measure
Capital	Capital adequacy ratio
Credit	Prescribed and specific provisions for doubtful debts Arrears Geographic, product and industry exposures Credit risk review findings
Market	Net interest income at risk Value at risk as a percentage of capital
Liquidity	High quality liquidity asset ratio
Operational	Number and category of disruption to customer services Number and category of operational losses Customer feedback Turnover and absenteeism
Compliance	Adherence to APRA requirements Internal and external audit findings Credit risk review findings

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

### Performance based

The performance of staff, including Senior Management, is reviewed annually. Individual employee performance is assessed against key performance indicators for the role and established benchmarks for behavioural competencies. Consideration is also given to other significant factors affecting performance, if applicable.

Key performance indicators are linked to or aligned with the organisation's strategic and financial objectives, risk appetite statement, and policy requirements where possible. Behavioural competencies outline the level of skill, capability and proficiency required by an employee at various levels within the organisation. Both indicators provide clear guidance on the performance expectations of staff.

### Review of Remuneration

The review of remuneration commences with a review of the Australian Bureau of Statistics Wages Price index and McGuirks Management Consultants Pty Ltd "Remuneration Survey".

Consideration is also given to the organisational performance of bcu, general economic indicators and inflation. Following the compilation of this data, remuneration levels for Senior Managers (including the Chief Risk Officer) and are considered by the Committee with recommendations made to the Board.

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### QUANTITATIVE DISCLOSURES

Quantitative disclosures made below relate to all staff identified as senior managers in accordance with APS 330, being the Senior Managers of bcu.

#### Remuneration

Six Senior Managers were paid variable remuneration in terms of APS 330 during the 2017 financial year (Seven-2016). There were no guaranteed bonuses or sign-on awards made during the financial year.

Deferred remuneration was allocated to Four Senior Managers during 2017 (Nil – 2016) and no implicit or explicit adjustments to the deferred remuneration.

	2017		2016	
	Unrestricted	Deferred	Unrestricted	Deferred
<i>Fixed remuneration</i>				
	\$	\$	\$	\$
Cash-based (including short-term, long-term and post-employment benefits)	1,918,067	-	1,677,945	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
<i>Discretionary variable remuneration</i>				
Cash-based (including short-term, long-term and post-employment benefits)	108,426	174,793	62,000	-
Shares and share-linked	-	-	-	-
Other	-	-	-	-