

# 2017/2018 Remuneration Disclosure Requirement



## Introduction

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 2018.

## Qualitative Disclosures

### (a.) Information relating to the bodies that oversee remuneration

- **The main body overseeing remuneration**

The Board has established a Board Governance Committee (the Committee), which is comprised of three independent non-executive directors.

One of the roles of the Committee is to assist the Board to develop, oversee, implement and review bcu’s Remuneration Policy and

- 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 approved
- 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.

- **Use of External Consultants**

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

- **Scope of BCU’s Remuneration Policy**

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

- **Senior Managers & Material Risk Takers**

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.

**(b.) Information relating to the design and structure of remuneration process**

- **Objectives of the remuneration policy**

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.

- **Key features of the remuneration policy**

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.

- **Review of the remuneration policy**

It is bcu’s policy that the Board Governance Committee review the Remuneration Policy annually.

**(c.) Description of the ways in which current and future risks are taken into account in the remuneration processes**

- **Nature and type of key measures used**

<b>Risk</b>	<b>Measure</b>
Capital	Capital Adequacy Ratio
Credit	Prescribed and specific provisions for doubtful debts Arrears Geographic, product and industry exposures Credit risk review findings
	Net interest income at risk

Market	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

- **Ways key measures affect remuneration**

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

- **Changes and impact on remuneration**

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

#### **(d.) Description of the ways in which the ADI seeks to link performance during a performance measurement period with levels of remuneration**

- **Overview of the main performance metrics**

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.

The key performance indicators measured include:

- 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 expertise.

Consideration is also given to other significant factors affecting performance, if applicable.

- **Remuneration links to institution-wide and individual performance**

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.

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.

- **Measures ADI will implement to adjust remuneration in the event that performance metrics is weak**

The size of the bonus pool is relative to the degree of financial performance of bcu. Deferred bonuses can be deferred further if performance is not maintained.

#### **(e.) Description of the ways in which the ADI seeks to adjust remuneration to take account of longer-term performance**

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 performance. The Board has the discretion to adjust the performance-based components of remuneration to zero if necessary due to performance.

#### **(f.) Description of the different forms of variable remuneration that the ADI utilises and the rationale for using these different forms**

Remuneration for all Senior Managers takes the form of cash payments only. bcu does not provide equity or equity-linked forms of remuneration.

### **Quantitative Disclosures**

#### **(g.) Number of meetings held by the main body**

The Board Governance Committee held **9 (Nine)** meetings during the financial year.

#### **Remuneration paid to the Committee**

The Chairman of a Committee received a \$5,000 per annum allowance.

#### **(h.) Number of persons having received a variable remuneration award during the financial year -**

Six Senior Managers were paid variable remuneration in terms of APS 330 during the 2018 financial year (Six- 2017).

#### **Number and total amount of guaranteed bonuses awarded during the financial year –**

Nil.

## Number and total amount of sign-on awards made during the financial year –

Nil.

## Number and total amount of termination payments made during the financial year.

Nil.

### (i.) Total amount of outstanding deferred remuneration –

Outstanding deferred remuneration amounted to \$90,065 (\$174,793 - 2017). No implicit or explicit adjustments to the deferred remuneration has been made.

**Total amount of deferred remuneration paid out - \$89,728 (\$55,085 – 2017)**

### (j.) Breakdown of the amount of remuneration awards for the financial year in accordance with disclosure requirements is shown below:

- Fixed and Variable – 100%
- Deferred and non-deferred – 0.3%
- Different forms of remuneration – 100% cash

### (k.) Quantitative information about person’s exposure to implicit and explicit adjustment of deferred remuneration and retained remuneration

bcu only uses cash payments as remuneration and doesn’t have deferred or retained remuneration as part of its remuneration structure, there is nothing to disclose in relation to this area.

### Total value of remuneration for senior managers/risk takers 2017/2018

	2018		2017	
	Unrestricted	Deferred	Unrestricted	Deferred
<i>Fixed remuneration</i>	\$	\$	\$	\$
Cash-based (including short-term, long-term and post-employment benefits)	1,593,885	-	1,918,067	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
<i>Discretionary variable remuneration</i>				
Cash-based (including short-term, long-term and post-employment benefits)	150,957	5,000	108,426	174,793
Shares and share-linked	-	-	-	-
Other	-	-	-	-