

## APS330 Remuneration Disclosures for an ADI

Table A

| Qualitative disclosures |   |   |  |             |        |                 |   |    |                     |   |   |
|-------------------------|---|---|--|-------------|--------|-----------------|---|----|---------------------|---|---|
| a)                      | Information relating to the bodies that oversee remuneration  | <p>Qudos Mutual Limited (QML) has established an Executive and Remuneration Committee (ERC) who:</p> <ol style="list-style-type: none"> <li>i. make annual recommendations to the Board on the remuneration of the CEO and CFO;</li> <li>ii. approve annually the remuneration of all other managers;</li> <li>iii. report management remuneration to the Board;</li> <li>iv. review and make recommendations to the Board on the Remuneration Policy.</li> </ol> <p>The ERC comprises 3 non-executive directors: the Chairman of the Board, the Deputy Chairman of the Board and the Chairman of the Risk Committee.</p> <p>The ERC may engage independent consultants to provide advice. In 2017 the ERC engaged Mercer (Australia) Pty Ltd (Mercer), Human Resource Consultants, to provide advice about remuneration for the CEO and management team.</p> <p>Senior managers and material risk takers include:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 50%;">Description</th> <th style="width: 20%;">Number</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Senior Managers</td> <td>                     Chief Executive Officer<br/>                     Chief Financial Officer<br/>                     Executive Manager Risk<br/>                     Company Secretary and General Counsel<br/>                     Executive Manager Strategic Marketing<br/>                     Executive Manager Retail Banking<br/>                     Internal Audit Manager<br/>                     Treasurer<br/>                     Executive Manager Technology<br/>                     Manager Retail Banking Marketing and Communications<br/>                     Manager<br/>                     Human Resources Manager<br/>                     Financial Controller<br/>                     Lending Manager<br/>                     Contact Centre Manager<br/>                     Broker Manager                 </td> <td style="vertical-align: top; text-align: center;">16</td> </tr> <tr> <td style="vertical-align: top;">Material risk-taker</td> <td>Persons subject to bonus or performance based remuneration.</td> <td style="vertical-align: top; text-align: center;">0</td> </tr> </tbody> </table> |  | Description | Number | Senior Managers | Chief Executive Officer<br>Chief Financial Officer<br>Executive Manager Risk<br>Company Secretary and General Counsel<br>Executive Manager Strategic Marketing<br>Executive Manager Retail Banking<br>Internal Audit Manager<br>Treasurer<br>Executive Manager Technology<br>Manager Retail Banking Marketing and Communications<br>Manager<br>Human Resources Manager<br>Financial Controller<br>Lending Manager<br>Contact Centre Manager<br>Broker Manager | 16 | Material risk-taker | Persons subject to bonus or performance based remuneration. | 0 |
|                         | Description   | Number  |  |             |        |                 |   |    |                     |   |   |
| Senior Managers         | Chief Executive Officer<br>Chief Financial Officer<br>Executive Manager Risk<br>Company Secretary and General Counsel<br>Executive Manager Strategic Marketing<br>Executive Manager Retail Banking<br>Internal Audit Manager<br>Treasurer<br>Executive Manager Technology<br>Manager Retail Banking Marketing and Communications<br>Manager<br>Human Resources Manager<br>Financial Controller<br>Lending Manager<br>Contact Centre Manager<br>Broker Manager | 16  |  |             |        |                 |   |    |                     |   |   |
| Material risk-taker     | Persons subject to bonus or performance based remuneration.   | 0   |  |             |        |                 |   |    |                     |   |   |

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|----|--|--|
| b) | <p>Information relating to the design and structure of remuneration processes.</p>   | <p>QML seeks to ensure that quality employees are employed, retained and remunerated in accordance with their responsibilities, skills and experience.</p> <p>The remuneration processes are designed to encourage behaviour that supports Qudos Mutuals long-term financial soundness and risk management framework.</p> <p>QML sets and reviews salaries having regard to market data (for which it seeks input from external remuneration consultants and applicable surveys) and may also pay variable performance based remuneration at its discretion.</p> <p>The Remuneration Policy is reviewed annually. The last review was in November 2017.</p> <p>Risk and financial control personnel are remunerated in a manner that does not compromise their independence in carrying out their roles. The performance based remuneration of these personnel is not determined by the managers, or the financial performance, of the business areas they monitor. Remuneration for risk and financial control managers is reported to the Board to allow the Board to satisfy itself that these remuneration arrangements are not contrary to the financial soundness of QML</p> |
| c) | <p>Description of the ways to which current and future risks are taken into account in the remuneration processes.</p>                         | <p>QML’s performance may be impacted by key risks identified by the Board, including credit risk, liquidity risk, operational risk and strategic risk. QML manages key risks through its strategic and business unit plans, risk management framework, policies and procedures.</p> <p>QML has adopted a performance based approach to remuneration designed to align remuneration with the Board’s expectations and strategies detailed in the Strategic Plan, the risk appetite of the Board and adherence with the Credit Union’s policies.</p> <p>There have been no changes to this process over the past year.</p>   |
| d) | <p>Description of the ways in which the ADI seeks to link performance during a performance measurement period with levels of remuneration.</p> | <p>Performance is assessed against Key Performance Indicators (KPIs) and behavioural competencies (both core competencies common to all employees and role specific competencies).</p> <p>KPIs are set for each individual and are linked to business unit plans and the Strategic Plan. When setting KPIs, QML in performing their role.</p> <p>QML does not pay any person a significant proportion of their remuneration by performance based remuneration, such as bonuses or commissions.</p>   |

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|----|--|--|
|    |  | When setting remuneration, QML will consider the appropriate balance between fixed salary and variable (performance based) components. Variable remuneration is payable at the discretion of QML and may be reduced to zero in the event of poor performance.  |
| e) | Description of the ways in which the ADI seeks to adjust remuneration to take account of longer-term performance.                    | There are no specific measures taken to reward longer term performance, however the Strategic Plan, to which KPIs are aligned, has a 3 year horizon and is reviewed annually. There is no deferred remuneration arranged with the managers other than the employee statutory entitlements and award conditions as amended.   |
| f) | Description of the different forms of variable remuneration that the ADI utilises and the rationale for using these different forms. | There are no elements of variable remuneration at the bank that are pre-determined. All variable remuneration is in the form of cash. Bonus arrangements are reviewed by the ERC and discussed at the board level to reward exceptional performance where applicable. QML is currently undertaking a complete transformation of its core banking systems. Key staff involved in this project have been offered additional bonus arrangements as project milestones are passed. |

**Table B**

| <b>Quantitative Disclosures</b> |  |   |
|---------------------------------|--|---|
| g)                              | Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members. | The remuneration committee has met 7 times in the past Year |
| h)                              | The number of employees having received a variable remuneration award during the financial year.                                     | 16  |
|                                 | 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 severance payments made during the financial year.  | NIL   |
| i)                              | Total amount of outstanding deferred remuneration,(split into cash, shares and share-linked instruments and other forms.)            | NIL   |
|                                 | Total amount of deferred remuneration paid out in the year   | NIL   |

**Table C: Total Value of remuneration awards for senior managers**

|  |                     |                 |
|--|---------------------|-----------------|
| Number of senior managers  | 16                  |                 |
| <b>Total value of remuneration awards for the current financial year</b> | <b>Unrestricted</b> | <b>Deferred</b> |
| Fixed Remuneration   |                     |                 |
| • Cash-based   | \$3,693,975         | Nil             |
| • Shares and share-linked instruments                                    | Nil                 | Nil             |
| • Other  | \$342,463           | Nil             |
| Variable remuneration  |                     |                 |
| • Cash-based   | \$508,363           | Nil             |
| • Shares and share-linked instruments                                    | Nil                 | Nil             |
| • Other  | Nil                 | Nil             |

**Table D: Total Value of remuneration awards for Material risk - takers**

|  |                     |                 |
|--|---------------------|-----------------|
| Number of risk and compliance managers                                   | 0                   |                 |
| <b>Total value of remuneration awards for the current financial year</b> | <b>Unrestricted</b> | <b>Deferred</b> |
| Fixed Remuneration   |                     |                 |
| • Cash-based   | Nil                 | Nil             |
| • Shares and share-linked instruments                                    | Nil                 | Nil             |
| • Other  | Nil                 | Nil             |
| Variable remuneration  |                     |                 |
| • Cash-based   | Nil                 | Nil             |
| • Shares and share-linked instruments                                    | Nil                 | Nil             |
| • Other  | Nil                 | Nil             |