

## **BANK OF SYDNEY LTD**

### **APS 330 REMUNERATION DISCLOSURE REQUIREMENTS**

Bank of Sydney Ltd (BOS) is an Authorised deposit-taking institution (ADI) which is governed by the Australian Prudential Regulation Authority (APRA). Authority is granted to APRA under the Banking Act 1959.

The Bank of Sydney Ltd is required under APRA Prudential Standard *APS 330 Public Disclosure* (APS 330 Attachment G) to disclose annually the remuneration of its senior managers and material risk-takers, as defined in APRA Prudential Standard *CPS 510 Governance*. The prudential disclosures require that ADIs meet the minimum requirements for public disclosure of qualitative and quantitative information of their remuneration practices.

#### **Board Remuneration Committee**

The mandate of the BOS Board Remuneration Committee is to assist the Board in fulfilling its responsibilities relating to remuneration and people matters and compliance with employment laws and regulations. It does this by ensuring that the Bank has appropriate remuneration and people systems in place and by monitoring their effectiveness on a regular basis.

The Board Remuneration Committee is composed of 3 Directors (all are non-Executive Directors) and met once during 2019. Other matters were resolved by Circular Resolution.

The Board Remuneration Committee has approved the BOS Remuneration Policy that applies to all staff. The policy applies to all Company staff within the following categories:

- Senior Manager (as defined by APRA CPS 510)
- Support Personnel
- Performance-Based Personnel.

A 'Senior Manager' refers to each responsible person included in an ADI's Remuneration Policy under paragraph 59(a) of Prudential Standard CPS 510 Governance (CPS 510) who:

- makes or participates in making, decisions that affect the whole, or a substantial part, of the business of the Bank; or
- has the capacity to affect significantly the Bank's financial standing; or
- may materially affect the whole, or a substantial part, of the business of the Bank or its financial standing through their responsibility for: (i) enforcing policies and implementing strategies approved by the Board; or (ii) the development and implementation of systems that identify, assess, manage or monitor risks in relation to the business of the Bank; or (iii) monitoring the appropriateness, adequacy and effectiveness of risk management systems.

In the 2019 year there were sixteen (16) employees deemed to be Senior Managers in comparison to twelve (12) in 2018.

Material risk takers are defined persons included in an ADI's Remuneration Policy

under paragraph 59(c) of CPS 510 as all other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of the regulated institution. Based on this definition, there are no additional employees to the Senior Managers who are considered material risk takers in the 2019 or 2018 year.

The Board and the Board Remuneration Committee may consult external consultants in relation to remuneration matters where appropriate. There were no external consultants used within the 2019 reporting period.

### **Remuneration Policy**

The key features and objectives of the Remuneration Policy include providing a framework to attract, retain and motivate employees to achieve the objectives of the Bank within its risk appetite and risk management framework while complying with Prudential Standard CPS 510.

The Remuneration Committee did not review the Remuneration Policy in 2019.

The remuneration of Risk and Finance staff are reviewed by their respective Managers, the Department Head and proposals presented based on deliverables and comparisons to market data. The proposals are then reviewed by the Executive Remuneration Committee and changes may occur. The Group then reviews and adds any recommendations for changes returning back to the Executive Remuneration Committee. The final review and approval belongs to the Board Remuneration Committee.

### **Risk Management Measures**

The key risks that BOS takes into account when implementing remuneration measures includes Operational, Financial, Compliance and Reputational Risks.

The nature and type of key measures used to take account of these risks are:

- BOS financial and strategic performance;
- Performance against KPI's;
- Business unit financial and strategic performance;
- Individual contribution to team performance;
- Individual performance, including alignment with corporate values and meeting performance objectives; and
- Meeting risk and compliance requirements at company, team and individual level. These measures comprise of a gateway to whether a payment is made and the size of the payment. Notwithstanding financial performance and the individual contribution and performance, if the individual, team or company does not meet or only partially meets the requirements, no award or a reduced award may be made.

The measure of performance including KPI's provides clarity of how performance will be measured and affect remuneration.

There were no changes to the nature and type of measures used in the 2019 year.

### **Performance Remuneration**

The main performance metrics for BOS has been the Bank's overall performance as well as individual KPI's. KPIs are a combination of financial and non-financial measures including performing in line with the Bank's desired behaviours reflected in the Bank's core values.

The Bank's performance results have always set the maximum percentage to be offered across the board for any remuneration increases as well as allocation of the Bonus pool. Performance against KPI's also impact on individual remuneration.

When performance metrics are weak, there is no or limited increase and no or limited bonus payments.

While the Policy takes into account LTI (Long Term Incentive) there has not been any implementation of any LTI nor of any deferral and/or vesting of variable remuneration.

'Gate openers' are used when it comes to Bonus allocation. Examples include Unsatisfactory Audit reports, any Warnings issued for either performance/behaviour issues or breaches of operating procedures or Policies.

Variable remuneration is paid in accordance with the approved budget and considering the performance against KPIs. The Board approves the overall pool for Variable Remuneration in line with the budget annually. The variable remuneration can be paid as Short term incentive (STI) or LTI.

STI form of remuneration must only be paid in cash. STI remuneration offered by the Bank currently includes a Performance Bonus.

There is no LTI Incentive Plan in place at present.

### Remuneration Disclosures

Disclosure	2019	2018
Remuneration Committee Meetings	1	1
Total annual remuneration paid to the Committee members	\$356,758.92	\$356,759.02
Number of variable remuneration payments	9	9
Total variable remuneration payments made	\$140,750.00	\$218,329.00
Number of guaranteed Bonuses paid	nil	nil
Number of sign on payments made	nil	nil
Number of termination payments made	3	1
Total termination payment amounts	\$120,667.75	\$232,248.91
Outstanding deferred remuneration	nil	nil
Deferred remuneration	nil	nil

<b>Total Value of Remuneration awards for senior managers/material risk takers in 2019</b>	<b>Unrestricted</b>	<b>Deferred</b>
<b>Fixed Remuneration</b>		
• Cash based	\$3,385,078.37	None
• Shares and share-linked instruments	None	None
• Other	None	None
<b>Variable remuneration</b>		
• Cash based	\$140,750.00	None
• Shares and share-linked instruments	None	None
• Other	None	None

<b>Total Value of Remuneration awards for senior managers/material risk takers in 2018</b>	<b>Unrestricted</b>	<b>Deferred</b>
<b>Fixed Remuneration</b>		
• Cash based	\$3,402,190.11	None
• Shares and share-linked instruments	None	None
• Other	None	None
<b>Variable remuneration</b>		
• Cash based	\$218,329.00	None
• Shares and share-linked instruments	None	None
• Other	None	None