



## APS330 Public Disclosure: Remuneration Disclosures 2018/19

### Summerland Credit Union

ABN: 23 087 650 806 AFSL 239 238

#### Qualitative Disclosures

(a)

The Board of Directors has appointed the Board Governance Committee to assist the Board to oversee, implement and review the Remuneration Policy.

The Governance Committee consists of 4 non-executive Directors, with one being the Chair of the Board. Three members of the Governance Committee attend the Board Risk Advisory Committee meetings. The Committee who meet at least three times a year.

The objectives of this committee are:

- To ensure remuneration arrangements are, and remain, compliant with corporate governance requirements, including requirements under APRA Prudential Standard CPS510;
- To ensure that we have leaders who have strategic vision, can drive growth while maintaining stability and the financial soundness of Summerland;
- To encourage behaviour that supports long term financial soundness and the risk management framework;
- To ensure the independence of risk and control staff in the performance of their functions is not compromised.

To meet these objectives the key responsibilities of the committee are:

- Make annual recommendations to the Board on the remuneration of those employees covered by the CPS 510 Remuneration Policy or any other person specified by APRA from time to time;
- Review and implement the Remuneration Policy;
- Make recommendations to the Board for salary annual increase for Directors;
- Develop, implement and review the Board and Chief Executive Officer (CEO) performance assessment process;
- Ensure the committee has the necessary experience and expertise to undertake its responsibilities, including by supplementing its expertise with appropriate external advice;
- Manage contracts for Executive Management;
- Full oversight and approval of the incentive payments for Executive Management.

Although the Chief Executive Officer and Chief Risk Officer attend Governance Committee meetings, the Committee meets without management being present, as determined by the Committee from time to time.

The Governance Committee has the option of engaging independent advisors when it considers necessary to discharge its role and responsibilities. For the 2018/19 reporting period, the Committee has engaged with BDO (Queensland) Pty Ltd to seek advice on Executive salaries and payment of incentives in relation to the Banking Executive Accountability Regime (BEAR).

The Summerland Remuneration Policy (CPS510) details how remuneration arrangements will be managed for the identified staff. This policy relates to Summerland Financial Services Limited which is based on the Northern Rivers of NSW. We do not have any branches or foreign subsidiaries.

For this disclosure, Senior Managers have been identified as per the APRA Prudential Standard Governance (CPS510) classification. During the 2018-19 financial year there were 8 roles within this group which include:

- The Chief Executive Officer
- All other senior managers of Summerland as defined in Prudential Standard CPS 510, being:
  - Chief Financial Officer
  - Chief Operating Officer
  - Chief Customer Officer
  - Chief Information Officer
- All Risk and Financial Control staff of Summerland being:
  - Chief Risk Officer
  - Finance Manager
  - Credit Risk Manager

There are no other material risk takers other than those designated Senior Managers.

(b)

Summerland's Remuneration Policy aims to remunerate competitively in line with similar sized financial services organisations to attract and retain leadership talent necessary to meet organisational objectives. In addition, the Remuneration Policy and framework is designed to ensure Summerland's long-term financial soundness and support an effective risk management framework.

The Remuneration Policy (CPS 510) was reviewed by the Board Governance Committee in July 2019. The changes made to this policy were to include clear guidelines of the payment of incentives in relation to BEAR.

Competitive market salaries are supported by short-term incentive payments to a maximum level of 10% of salary. The lack of significant variable reward schemes and the inclusion of risk measures on individual performance objectives create an environment where there is no incentive for unnecessary risk taking.

The risk and financial control personnel ie

- Chief Risk Officer
- Finance Manager
- Credit Risk Manager

Had specific key performance indicators and behaviours related to their roles. These KPIs and behaviours did not relate to the KPIs that the retail banking staff were assigned. The only similarity that the risk and financial control personnel had with retail banking staff was that all staff in the organisation received 20% of their bonus based on Summerland Financial Services Limited achieving their profit target.

(c)

The credit union has a risk management framework, linked to its governance framework to identify, monitor and manage key risks in the organisation. Accordingly, all management staff have a combination of total credit union performance, team performance and individual performance. The individual performance is assessed against risk and behaviour standards.

Executive Management are assessed against the results of an annual risk culture survey and Employee Engagement Survey, plus depending on their responsibilities will have KPI's that link to:

- Financial Risk
- Liquidity risk
- Credit risk
- Interest Rate Risk
- Strategic Risk
- Operational Risk

These measures affect remuneration through individual management accountability for some or, in the case of the CEO, all the risk exposures the organisation may face at any time.

The measures have not changed substantially in the financial year as they are integrated into the corporate strategic plan and risk management framework, including the Board's Risk Appetite Statement.

(d)

Remuneration is reviewed annually for all staff of the credit union, to take effect on the first full pay period in July each year. This process involves several external benchmarking exercises.

Through participation in an annual salary survey, each position is assessed based on revenue, industry and location aspects.

Following the compilation of this information the salary levels of all staff are reviewed by the Executive Management for a final decision. This excludes the Executive Management and the three senior management positions noted as key risk management roles, which are drafted as recommendations to the Governance Committee for their review and decision.

Remuneration for all staff are fixed salaries and a variable annual short-term incentive or, where applicable, a long-term incentive.

If the staff member does not reach the KPIs or behaviour requirements of their role then this will reduce the amount of bonus they are receive.

If performance metrics are weak, then the individual staff member will be placed on a performance improvement program (PIP). Whilst the staff member is participating in the performance management process their bonus payments are deferred. If they conclude the performance improvement program successfully, they would receive a pro rata bonus based on the period of time in the year they were not on a PIP.

(e)

The CEO and CRO, who are primarily responsible for the financial performance and soundness of the credit union, may receive long-term incentives (LTIs). These incentives are deferred based on the conditions in their contract of employment and the payment is linked to the achievement of strategic goals. The decision on the payment of these incentives is made by the Board Governance Committee. The payment of long-term incentives will cease in 2019/20 financial year.

To ensure prudent management of risks Summerland faces, compliance with the Board's Risk Appetite Statement is a significant consideration of overall performance. Risk management practices are governed by an integrated risk framework including the Remuneration Policy (APS 510)

The Board Governance Committee can pay no bonus to staff based on the performance of the organisation.

(f)

All managers covered by CPS510 are entitled to a short-term incentive (STI) payment in cash if they have achieved performance measures for that financial year.

Eligibility for STI is subject to the individual meeting risk and compliance requirements, organisational values and accepted behaviours, as well as meeting team and credit union performance goals.

Individuals on performance management are not eligible for incentives. The payment of STI to Executive Management is subject to approval by the Board Governance Committee.

Summerland does not provide share and share-linked instruments and other forms of variable remuneration.

## Quantitative Disclosures

The quantitative disclosures below are aggregated as all positions identified are Senior Managers.

(g)

The Board Governance Committee held five meetings during the 2018-19 financial year.

The Chair of the Board Governance Committee receives a loading for their role, whilst the other members do not receive any additional remuneration for their involvement in the Board Governance Committee

The table below contains the aggregated remuneration details for the four (4) Board Governance Committee members for the 2018-19 financial year, including their annual Summerland Non-Executive Director fee and remuneration for all other roles they perform in the organization.

Number of Directors	4
Total Remuneration of the Board Governance Committee.	165,634

(h)

Variable remuneration refers to the short-term incentive, which applies to all eight (8) managers as part of this disclosure, and long-term incentives, as applicable to two (2) managers of this group.

Type of payment	Number of payments	Total amount
Guaranteed Bonuses	-	-
Sign on Awards	-	-
Termination Payments	-	-

(i)

The total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.

Total amount of deferred remuneration	Outstanding	Paid in Financial Year
• Cash-based	\$214,413	-
• Shares and linked-shares instrument	-	-
• Other	-	-

(j)

The total value of fixed and variable remuneration awards for the current financial year.

	Unrestricted	Deferred
<b>Fixed remuneration</b>		
• Cash-based	\$1,664,224	-
• Shares and linked-shares instrument	-	-
• Other	\$84,411	-
<b>Variable remuneration</b>		
• Cash-based	\$120,945	-
• Shares and share-linked instruments	-	-
• Other	-	-

