

## **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 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 2018. 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.

The Company has twelve (12) positions deemed to be Senior Managers. A Senior Manager is defined as any person 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.

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 2018 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 2018.

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 and Compliance Risks.

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

- Group 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 Group, 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 Group 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.

## **Performance Remuneration**

The main performance metrics for BOS has been the Bank's overall performance as well as the KPI's for our Retail, Commercial and Trade Finance staff and Internal Audit Results.

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. Results 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.

Clawback arrangements or “gate closers” are used when it comes to Bonus allocation. Examples are 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 of each Responsible Manager. The Board approves the overall pool for Variable Remuneration in line with 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**

The BOS Remuneration Committee met once during 2018, with all Board members in attendance. Total annual remuneration paid to the Committee members was \$356,759.02 (including Superannuation).

There were 9 variable remuneration payments during 2018, totaling \$218,329.00.

There were no guaranteed Bonuses paid in 2018.

There were no sign on payments made in 2018.

There was one (1) termination payment made during 2018 totaling \$232,248.91.

There is no outstanding deferred remuneration.

There was no deferred remuneration paid during 2018.

Total Value of remuneration awards for senior managers/material risk takers:

<b>Total Value of Remuneration awards for 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