

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.

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 Nominations and Remuneration Committee

The mandate of the Board Nominations and Remuneration Committee (BNRC) 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 BNRC is composed of 3 non-Executive Directors. The Committee met twice in 2021, with all other matters being resolved by Circular Resolution. The BNRC did not meet in 2020 due to COVID-19 and all matters were resolved by Circular Resolution.

The Board has approved a Remuneration Policy that applies to all Bank employees including:

- 'Fit and Proper' persons and 'Senior Managers' as defined in Prudential Standard *CPS 520 Fit and Proper* (CPS 520) and also described in the Bank's Fit and Proper Policy
- 'Banking Executive Accountability Regime (BEAR) accountable persons' as defined in the Bank's BEAR policy;
- Risk & financial control personnel; and
- General personnel;

A 'Senior Manager' under paragraph 25 (a), (b) and (c) of CPS 520 refers to a person (other than a director) 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 2021 year there were nine (9) employees deemed to be Senior Managers in comparison to twelve (12) in 2020.

Material risk takers are defined persons included in an ADI's Remuneration Policy under paragraph 57(c) of *CPS 510 Governance* 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, during

the 2021 and 2020 reporting period, there were no identified 'material risk takers' other than individuals already recognised as Senior Managers.

The Board and the BNRC may consult external consultants in relation to remuneration matters where appropriate. There were no external consultants used during the 2021 or 2020 reporting period.

Remuneration Policy

The Bank's Remuneration Policy is designed to attract, retain and motivate employees to achieve the objectives of the Bank within its risk appetite, risk management framework and applicable regulatory parameters.

The policy also seeks to ensure that remuneration outcomes are commensurate with specified performance and risk objectives – this includes consequences for poor risk outcomes.

The Bank's Risk Management Framework requires the Remuneration Policy to be reviewed annually and this was completed during the 2021 year. Changes arising from the 2021 review of the Remuneration Policy were not considered to be material and consisted of role title amendments and a reference to the incoming prudential standard *CPS 511 Remuneration*.

The Bank did review the Remuneration Policy in the 2020 year. An overview of the changes are as follows:

- Updated references to the relevant Bank policies and prudential/regulatory guidance.
- Specific references to 'Fit & Proper' persons including 'responsible persons' and BEAR accountable persons as defined in the Bank's policies and prudential standards.
- The inclusion of the requirement to align remuneration arrangements to acceptable behaviours.
- Updated the responsibilities and expanded role of the BNRC in accordance with its revised charter.
- Further defining Fixed and Variable remuneration (Short-Term Incentives (STI)) and Long Term Incentives (LTI) including that variable remuneration be adjusted down to zero where appropriate.
- Removal of the previous maximum variable remuneration limits for Responsible Managers (excluding CEO), Support Personnel and Performance-based Personnel in favour of a discretionary recommendation process for Board approval to reflect business outcomes.
- The Bank's general practice is to not specify defined STI limits to employees. In some instances, and subject to the endorsement of the BNRC, quantitative STI arrangements may be formally conveyed to employees. An approval path by employee group has been defined.
- Expanding on the key considerations for Fixed and STI recommendations including:
 - The Bank's financial performance
 - Market alignment
 - Personal performance
 - Eligibility
 - Need for partial deferral
 - Other factors such as BEAR obligations, risk outcomes and requirements for designated risk and financial control staff
 - Confirmation that LTI is not presently available. However, high level parameters were included.
- A new section to the Policy was introduced to align it with the Bank's BEAR policy and relevant provisions of the Banking Act to include the requirements and criteria for

deferral of variable remuneration, and a BEAR compliance attestation was introduced for execution by the BNRC Chair.

Remuneration arrangements and outcomes for Risk and Financial control personnel are reviewed annually by respective Department Heads and the Executive Nominations & Remuneration Committee (ENRC) to ensure:

- The independence and authority of these personnel is not compromised or subject to undue influence by the performance of the business activities they control; and
- Arrangements appropriately reflect the purpose of their functions.

Final recommendations are provided by the ENRC to the BNRC who will review and if in agreement, will endorse the proposal to the Board for final review and approval.

Risk Management Measures

The Bank will consider key Operational, Financial and Compliance risks when evaluating the effectiveness of the Remuneration Framework or assessing individual performance for remuneration purposes. These factors will include:

- Overall financial and strategic performance of the Bank;
- Business unit financial and strategic performance;
- Individual outcomes against Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs);
- Individual contribution to team performance;
- Individual behaviour, including alignment with corporate values; and
- Meeting risk and compliance requirements at a Bank, team and individual level to ensure a prudent risk taking approach is applied.

Collectively, these measures will determine eligibility for Fixed Remuneration adjustments and Short Term Incentive (STI) remuneration including the amount of any potential STI payment. As a general principle and regardless of financial performance outcomes, any individual failing to meet pre-determined risk, compliance or behavioural outcomes will be ineligible for STI payments.

There were no major changes to the nature and type of measures used in the 2021 or 2020 year.

Performance Remuneration

The Bank's operational performance will influence the quantum of fixed remuneration adjustments reviewed annually and the amount of STI remuneration available for allocation to the employee pool. Individual variable remuneration determinations consider all aspects of performance relative to specific objectives.

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

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

The Remuneration Policy also considers parameters for Long Term incentive (LTI) remuneration. LTI is a discretionary remuneration option designed to drive and reward long-term growth and sustained company value and align the interests of shareholders and participants.

Presently, the Bank has not implemented LTI arrangements or other mechanisms for deferral of variable remuneration. Clawback arrangements have been developed to retrieve payments or cancel eligibility for vested payments during any LTI vesting period as a consequence of poor risk outcomes and/ or the departure of an employee from the Bank.

Quantitative Disclosures

Disclosure	2021	2020
Remuneration Committee Meetings	2	0
Total annual remuneration paid to the BNRC members	\$357,573.53	\$356,758.92
Number of variable remuneration payments made to Senior Managers	9	12
Total variable remuneration payments made to Senior Managers	\$43,000.00	\$63,500.00
Number of guaranteed Bonuses paid	nil	nil
Number of sign on payments made	nil	nil
Number of termination payments made to Senior Managers	0	3
Total termination payment amounts for Senior Managers	\$0	\$154,955.91
Outstanding deferred remuneration	nil	nil
Deferred remuneration	nil	nil

Total Value of Remuneration awards for senior managers/material risk takers in 2021	Unrestricted	Deferred
Fixed Remuneration		
• Cash based	\$2,941,247.07	None
• Shares and share-linked instruments	None	None
• Other	None	None
Variable remuneration		
• Cash based	\$43,000	None
• Shares and share-linked instruments	None	None

Total Value of Remuneration awards for senior managers/material risk takers in 2020	Unrestricted	Deferred
Fixed Remuneration		
• Cash based	\$3,201,387.24	None
• Shares and share-linked instruments	None	None
• Other	None	None
Variable remuneration		
• Cash based	\$63,500.00	None
• Shares and share-linked instruments	None	None