

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 Directors (all are non-Executive Directors) and did not meet in 2020 due to COVID-19. All matters were resolved by Circular Resolution.

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

- Senior Manager (as defined by APRA CPS 510);
- ‘Fit and Proper’ persons as described in the Bank’s Fit and Proper Policy including ‘responsible persons’ as defined in Prudential Standard CPS 520 Fit and Proper (CPS 520) and ‘Banking Executive Accountability Regime (BEAR) accountable person’ as defined in the Bank’s BEAR policy;
- Support Personnel; and
- 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 2020 year there were twelve (12) employees deemed to be Senior Managers in comparison to sixteen (16) in 2019.

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 2020 or 2019 year.

The Board and the BNRC may consult external consultants in relation to remuneration matters where appropriate. There were no external consultants used within the 2020 or 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 objective of this policy is to outline the remuneration objectives and the structure of the Bank's remuneration arrangements, including, but not limited to, the performance-based components of 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.

No changes to the Remuneration Policy were made in the 2019 year.

The remuneration of Risk and Finance staff are reviewed by their respective Managers, the Department Head and proposals presented based on deliverables, behaviours and comparisons to market data. The proposals are reviewed by the Executive Nominations & Remuneration Committee (ENRC) and changes may occur. Following this, the Bank's parent company reviews and adds any recommendations for changes returning back to the ENRC. A proposal is provided 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 key risks that BOS takes into account when implementing remuneration measures include Operational, Financial and Compliance Risks.

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

- Overall financial and strategic performance;
- Performance against Key Performance Indicators (KPIs);
- Business unit financial and strategic performance;
- Individual contribution to team performance;

- Individual performance and acceptable behaviour, including alignment with corporate values and meeting performance objectives; and
- Meeting risk and compliance requirements at Bank, team and individual level to ensure a prudent risk taking approach is applied.

These measures comprise of a gateway determining eligibility for a STI and the size of the STI payment. Notwithstanding financial performance and the individual contribution and performance, if the individual, team or Bank does not meet or only partially meets the requirements, STI payment may not be made.

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

There were no major changes to the nature and type of measures used in the 2020 or 2019 year.

Performance Remuneration

The main performance metrics for BOS include the Bank's overall performance as well as KPI outcomes, behaviors 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 and deferral of variable remuneration there has not been any implementation of any LTI nor of any deferral 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 performance of each individual staff member and the approval of the BNRC and the Board. The variable remuneration may be paid as a 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	2020	2019
Remuneration Committee Meetings	0	1
Total annual remuneration paid to the BNRC members	\$356,758.92	\$356,758.92
Number of variable remuneration payments made to Senior Managers	8	9
Total variable remuneration payments made to Senior Managers	\$63,500.00	\$140,750.00
Number of guaranteed Bonuses paid	nil	nil
Number of sign on payments made	nil	nil
Number of termination payments made to Senior Managers	3	3
Total termination payment amounts for Senior Managers	\$154,955.91	\$120,667.75
Outstanding deferred remuneration	nil	nil
Deferred remuneration	nil	nil

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
• Other	None	None

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