

## Police Credit Union Ltd Pillar III Remuneration Disclosures – 30 June 2021

### Qualitative Disclosures

#### Remuneration Governance

These disclosures have been prepared in accordance with the requirements of APRA prudential standard APS 330 Public Disclosure. The role of the Board Remuneration and Governance Advisory Committee (BRGAC) is set out in a Charter approved by the Board. The BRGAC is a committee of the Board of Directors of Police Credit Union. The members of the Board Remuneration and Governance Advisory Committee are non-executive directors, made up of the Chairman, Deputy Chairman and three other directors that include the Chairman of the Board Audit and Board Risk Committees, and comprises the following Directors as at 30 June 2021:

- A Zimmermann (Chairman)
- M Fisher (Deputy Chairman)
- P Alexander
- K Presser
- P Scheffler

The Committee, amongst other functions, is responsible for recommending to the Board for approval:

- development and annual review of Police Credit Union Remuneration Policies,
- Reviewing the remuneration of the Chief Executive Officer and direct reports of the CEO, and
- Reviewing the remuneration of other persons whose activities may in the Committee's opinion affect the financial soundness of the Credit Union.

During the financial year, the Board Remuneration and Governance Advisory Committee met on three occasions. Remuneration of the BRGAC members, in aggregate, for the financial year ended 30 June 2021, amounted to \$368,180 (2020: \$366,466). This represents the remuneration, not only for duties on the Board Remuneration and Governance Advisory Committee, but total aggregate remuneration for their respective Police Credit Union Limited Director responsibilities.

#### Design and Structure of Remuneration

In accordance with the APRA Governance Standard CPS 510, Police Credit Union has in place a Remuneration Policy. The purpose of this policy is to set a framework from which the BRGAC shall conduct annual reviews of and make recommendations to the Board on the remuneration of executive managers and other affected persons.

This policy deals with the remuneration of the Chief Executive Officer, Executive-level direct reports of the CEO, other persons whose activities may in the BRGAC's opinion, affect the financial soundness of the Credit Union, all Accountable Persons, as defined in the Remuneration Policy excluding Directors, and any other person specified by APRA in CPS 510. The key principle, is that personnel must be remunerated in a manner which does not expose the Credit Union to excessive risk, including ensuring that Police Credit Union satisfies its legislative and regulatory requirements.

The objectives of the remuneration policy are:

- To motivate executive and other managers captured by this policy to manage and lead the business successfully and to drive strong long-term organisational growth and performance in line with the strategy and business objectives.
- To encourage conduct and behaviour that supports the desired organisational and risk management culture of the Credit Union.
- To make sure that there is transparency and fairness in remuneration policy and practices.
- To deliver a balanced solution addressing all elements of total pay – base pay and benefits including appropriate superannuation arrangements and attraction and retention strategies.
- To ensure that the Credit Union will meet its obligations under the Banking Executive Accountability Regime and, in particular, its obligations with respect to deferred remuneration where applicable as set out in the Remuneration Policy.

The Credit Union is also committed to appropriately remunerating (without exposing the Credit Union to excessive risk) the following:

1. responsible persons (excluding responsible auditors and non-executive directors),
2. risk management, compliance, internal audit and financial control personnel (collectively, 'risk and financial control personnel', whether or not they are responsible persons), and
3. all other employees or agents for whom a portion of total remuneration is variable and determined by performance measures. A person need not be an employee of the Credit Union to be covered and may be an employee of a subsidiary or otherwise related company, a consultant, a contractor or an agent.

### Design and Structure of Remuneration (continued)

This policy applies to all incumbent executives and responsible persons from the date of adoption of the Policy. In accordance with policy, fixed salaries are to be reviewed annually and take into account experience and qualification, individual performance, market relativities and industry benchmarks, having regard to the need for the Credit Union to attract, motivate and retain the key leadership team.

The Board ultimately decides the remuneration of the CEO, Executive and Responsible Persons based on their direct accountability and responsibility for the operational management, demonstrated leadership, long term strategic direction and decision-making for the Credit Union, and considers whether any increase should be made to remuneration on an annual basis.

Responsible Persons (including Executives) are not eligible to receive Performance-based (variable) remuneration as part of their total remuneration package. The Remuneration Policy was reviewed by the Board in September 2020 and approved important amendments to the policy including the removal of future variable-based remuneration relating to performance incentives or bonuses for the CEO, Executives and Responsible Persons covered by the policy. The policy amendment removes entirely the 'at risk' bonus or variable remuneration component for all responsible persons (and therefore Executives) captured under this policy. This amendment removes any doubt relating to the potential motivation of a responsible person engaging in decision-making outcomes which are incentivised by an at-risk bonus, and which may result in a risk management outcome inconsistent with PCU risk appetite, culture, or code of ethics policy.

All other Police Credit Union employees not covered by this policy, whose responsibilities and accountabilities are unlikely to have a material impact or affect the financial soundness of the Credit Union, are covered by a separate Board policy. These non-Executive and non-Responsible Persons may be eligible for a variable component of remuneration. For these employees, individual bonus payments shall not exceed 10% of base salary. Employees are only eligible to receive a bonus if they are currently employed by PCU and have achieved a minimum performance rating in accordance with that policy relative to their respective Position Performance Profile, which in all instances incorporates KPI's, both financial and non-financial, that are directly aligned to the Strategic Plan balanced scorecard.

### Risk Management Considerations

Police Credit Union is an Authorised Deposit-taking Institution (ADI) authorised and regulated by the Australian Prudential Regulation Authority (APRA). As the holder of an Australian Financial Services Licence and an Australian Credit Licence, the Credit Union is also supervised by the Australian Securities and Investments Commission (ASIC). Police Credit Union's Board is responsible for the strategic guidance and oversight of the Credit Union Group of Companies and achieves this through maintaining strong corporate governance principles that are underpinned by its ethics, values and the conduct of all employees, Management and Directors.

All employees take responsibility and are accountable for sound risk management, operational and financial control of the Credit Union within the Board approved Risk Management Framework. The key risks that the Credit Union faces are Credit, Liquidity and Interest Rate Risk which together give rise to the need for adequate Capital to protect depositors. The Credit Union's Capital Adequacy Assessment Process evaluates the level of risk, and the Strategic Plan is developed with reference to the level of risk, the Board's appetite for risk, and the need to maintain capital commensurate with the risks.

Board policy requires that performance development reviews must be undertaken annually and after the conclusion of the financial period, using respective Accountability Statement and Position Performance Profiles, which incorporate KPI's, both financial and non-financial that are directly aligned to the Police Credit Union Strategic Plan balanced scorecard.

Key performance criteria in all position descriptions include the responsibility for risk management and compliance and individual performance is regularly measured against those criteria in annual performance appraisals.

The Credit Union's Risk Management Framework is reviewed annually and complies with Consolidated Prudential Standard CPS 220.

### Linking Performance with Remuneration

Key to individual performance criteria is responsibility and accountability for sound business practice and risk management aligned to strategy and business objectives that incorporate both financial and non-financial performance standards. The Board ultimately decides on the remuneration of the CEO and Executives, based on their direct accountability, responsibility for operational management, leadership, strategic direction and decision making for the Credit Union.

The Credit Union's financial benchmarks are set at the start of the financial year and may be subject to mid-year review by the Board. The Credit Union's long-term Strategic business benchmarks are underpinned by the need to maintain Capital at prudent levels that requires risks to be actively managed by ensuring these are identified, steps are taken to mitigate any risks and the level of residual risk is mitigated sufficiently through controls and diversification. Remuneration is based on performance and is aligned with prudent risk taking that is adjusted to reflect the outcome of business activities and achievement across all areas of the Balanced Score Card and longer-term strategic goals.

### Linking Performance with Remuneration (continued)

The Credit Union has not made use of the option to defer performance-based remuneration. Remuneration Packages are cash based. The fixed cash component of remuneration may be exchanged for an equivalent non-monetary benefit such as in the form of a company owned motor car.

### Quantitative Disclosures

#### Remuneration for the year ended 30 June 2021

The "at-risk" component of remuneration for Executive Management, Risk and Financial Control staff has been removed from packages. Accordingly, there were no variable and at-risk performance-based bonuses for the year ended 30 June 2021 (June 2020: \$142,858).

There have been no sign-on awards or termination payments (other than accrued entitlements) made during the year. During the year and the prior year, no deferred remuneration was paid or outstanding at year-end.

Remuneration of senior managers within the scope of Prudential Standard APS330 Public Disclosure is reflected in the table below.

#### Executive Management and Risk and Financial Control Personnel

	2021	2020	2021	2020
	Number	Number	\$'000	\$'000
<b>Cash based</b>				
<b>Fixed remuneration</b>	10	10	2,463	2,173
<b>Variable remuneration</b>	-	10	-	143