

Annual Remuneration Disclosure

As at 30 June 2025



This disclosure has been prepared by Police Credit Union Limited (PCU) in accordance with Australian Prudential Regulatory Authority (APRA) Prudential Standard CPS 511, for the financial year ended 30 June 2025.

Overview

CPS 511 requires Authorised Deposit Taking Institutions (ADIs) to maintain remuneration arrangements that support prudent risk management, and promote appropriate accountability for risk and conduct outcomes. Within these requirements, ADIs may design remuneration practices that best support their objectives whilst ensuring they comply with applicable prudential, legislative and regulatory obligations, including the *Financial Accountability Regime Act 2023*.

In accordance with the APRA definition, PCU is classified as a non-significant financial institution (Non-SFI) and must make remuneration disclosures annually in accordance with CPS 511, as soon as possible following lodgement of its financial statements or not later than 6 months of the end of the financial year.

PCU does not currently have any variable remuneration arrangements in place for any Responsible Persons.

Board Governance and Oversight

As part of its governance arrangements, the Board of Directors established a Board Remuneration & Governance Advisory Committee (BR&GAC) in 2005. Amongst other responsibilities, the BR&GAC maintains oversight and provides guidance on remuneration and related matters in line with PCU's Constitution and the requirements of CPS 510 Governance. The BR&GAC is comprised of 2 member-elected Directors (of which one is Chairperson) and 2 Board-appointed Directors. In the financial year ended 30 June 2025, the BR&GAC members were Directors Alexander Zimmermann (Chairperson), Michael Fisher, Ann-Marie Chamberlain and Kathryn Presser.

The BR&GAC operates in accordance with the terms of its Charter, which has been approved by the Board. The BR&GAC held 3 meetings, as is required.

All recommendations from the BR&GAC incorporate review of risk outcomes, ensuring remuneration decisions reinforce prudent management and accountability.

Amongst other functions prescribed under its Charter, the BR&GAC is responsible for:

- initiating, overseeing, and making recommendations to the Board about the annual remuneration reviews and performance evaluations of the Chief Executive Officer (CEO), direct reports to the CEO, any roles specified by APRA and any other persons whose activities, in the Committee's view, could materially affect the financial soundness of PCU; and
- development and annual review of PCU's remuneration policies, including the Remuneration Framework, and providing recommendations to the Board on how risk management outcomes are evaluated and how consequence management is applied in cases of a material breach or misconduct.

Remuneration Framework

The Board of Directors maintains a well-established Remuneration Framework tailored to PCU's size, complexity, and risk profile, and oversees its annual approval and effective application. The Framework is supported by a range of policies, procedures and governance arrangements designed in a manner consistent with CPS 511 to ensure remuneration outcomes align with prudent risk management and effective governance.

The Remuneration Framework aligns with PCU's Core Values, Code of Ethics Policy, business plan, strategic objectives and Risk Management Framework, as required under CPS 220 Risk Management. It is designed to promote the effective management of both financial and non-financial risks, support PCU's long-term soundness and sustainable performance, and assist in the prevention and mitigation of conduct risk.

The Chief Risk Officer (CRO) is accountable for the integrity and effectiveness of PCU's policy framework, including ensuring that all policies are reviewed, approved, and applied in a timely and consistent manner. The CRO assesses all draft policies prior to submission to the relevant Committee for review and endorsement. Any material exceptions identified must be reported to the CRO, CEO, and the board to ensure appropriate oversight and remedial action. In addition, material breaches may lead to disciplinary action in accordance with PCU's Counselling and Disciplinary Policy.

Performance and Consequence Management

The PCU Board of Directors and Executive Management are committed to a Performance Management Framework that supports the achievement of strategic objectives and strengthens employee support, performance and development, and ensures accountability for conduct, behaviour and risk outcomes.

The Framework is designed to:

- Motivate employees to positively contribute to long-term organisational success in alignment with PCU's strategic plan, Core Values, Code of Ethics, business objectives, policies and Risk Management Framework;
- Promote transparency and fairness in remuneration practices; and
- Provide a balanced approach to total remuneration, including base pay, sustainable bonuses, incentive opportunities and benefits such as superannuation and entitlements, to support employee attraction, retention and engagement.

The Framework also provides clear guidance on the steps that may be taken to address poor performance or misconduct. These may include remedial action, coaching, and where necessary, formal disciplinary measures, proportionate to the severity and impact of the actions or behaviour. Employees are expected to comply with all legislative, regulatory, and internal requirements including policies, procedures, service standards, and performance expectations. This ensures that

Annual Remuneration Disclosure

As at 30 June 2025



PCU maintains high standards of conduct, complies with regulatory obligations, and fosters a strong risk and governance culture. Where incidents are reported and assessed as resulting in a breach, they are managed in accordance with policy to ensure appropriate remedial action is undertaken. If performance or conduct is deemed below expectations, the Framework allows proportionate adjustments to remuneration, including withholding discretionary, or variable remuneration components.

As evidenced in PCU's 2025 Annual Report for the period ended 30 June 2025, Employee Engagement concluded at 91.52%, reflecting a highly engaged and committed workforce. During the reporting period, a People-based Culture Index of 94.37 was recorded, surpassing the target threshold. Similarly, the Risk-Based Culture Index reached 97.7, also surpassing the target threshold. These culture metrics highlight a continued focus on fostering visibility, transparency, and sustained high-performance outcomes. They also reflect a positive culture tone around behaviour and conduct, ethical standards, consistent adherence to policy and legislative requirements, and robust risk management practices.

Remuneration of Responsible Persons

As part of the Remuneration Framework and as required by CPS 510 Governance, PCU maintains a Responsible Persons Remuneration Policy. This policy provides the framework through which the BR&GAC conducts annual reviews, and makes recommendations to the Board regarding the remuneration of:

- The CEO;
- Executive Managers (direct reports to the CEO);
- Other persons whose activities may, in the BR&GAC's opinion, affect the financial soundness of PCU;
- All Accountable Persons as defined in PCU's Financial Accountability Regime Policy (excluding directors); and
- Any other person specified by APRA under CPS 510 and CPS 511 (referred to as 'Responsible Persons').

PCU does not have any other employees considered material risk-takers under CPS 511.

Remuneration for Responsible Persons under the policy is structured to support the aims of the Remuneration Framework, consequently discouraging unnecessary risk-taking or exposing PCU to excessive risk. By design, it also:

- Motivates Responsible Persons to manage and lead the business successfully, driving strong long-term organisational growth and performance in line with the strategy and business objectives;
- Encourages behaviours that reinforce PCU's desired organisational and risk management culture;
- Ensures PCU will meet its obligations under the Financial Accountability Regime, where applicable; and
- Supports PCU's compliance with legislative and regulatory obligations.

For the CEO and Executives, Remuneration reviews consider their accountability for operational management, leadership, long-term

strategic direction, and decision-making for the Credit Union.

Recommendations on remuneration by the BR&GAC are approved by the board.

While PCU does not pay variable remuneration, fixed remuneration reviews consider an individual's performance against key risk, compliance, and governance objectives. Adjustments to fixed pay reflect both achievement of business and strategic objectives, as well as adherence to risk and conduct standards.

The policy is reviewed annually by the Executive Management Committee and BR&GAC, and is approved by the Board. The most recent review and approval of the policy occurred in March 2025.

Any material exceptions to, or breaches of the policy must be reported to the CEO, CRO, and the Board. In addition, material breaches may lead to disciplinary action in accordance with PCU's Counselling and Disciplinary Policy. For the year ended 30 June 2025, no material exceptions were reported.

Fixed Remuneration Review

Fixed Remuneration is reviewed annually and reflects experience, qualifications, individual performance, market relativities and industry benchmarks, while ensuring PCU can attract, motivate and retain key executives.

Fixed Remuneration is determined alongside the annual Performance Development Review, using each employee's Position Performance Profile, including the Accountability Statement where applicable (as defined in PCU's Financial Accountability Regime Policy). Reviews incorporate key performance indicators, both financial and non-financial, directly aligned to PCU's Strategic Plan Balanced Scorecard.

Variable Remuneration

For the financial year ended 30 June 2025, no variable remuneration was awarded to the CEO, Executives or other Responsible Persons.

Responsible Persons, including the CEO and Executives, are not eligible for performance-based (variable) remuneration as part of their total remuneration package. All other employees undergo an annual performance development review against key performance indicators aligned to the PCU Strategic Plan Balanced Scorecard (including both financial and non-financial measures), strategic initiatives, and relevant departmental business plans, which directly informs performance outcomes, noting that Responsible Persons are not eligible for variable remuneration. Any individual performance-based bonuses do not exceed 10% of the total remuneration cost for any PCU employee.

Risk and Financial Control Personnel

Remuneration for risk and financial control personnel is reviewed independently to ensure it does not conflict with the staff's objectivity in monitoring risk and control activities. Reviews consider Performance Development Review ratings, experience and role specialisation, market benchmarks, and level of responsibility. All performance development reviews are conducted using the relevant Position Performance Profile, which includes key performance indicators, both financial and non-financial, directly aligned to the PCU Strategic Plan Balanced Scorecard.