

## APS330 Remuneration Disclosures for an ADI July 19 – June 20

Table A

Qualitative disclosures											
a)	Information relating to the bodies that oversee remuneration	<p>Qudos Mutual Limited (QML) has established a Governance and Remuneration Committee (GRC) whose responsibilities include to:</p> <ol style="list-style-type: none"> <li>I. make annual recommendations to the Board on the remuneration of the CEO, Executive Team and Internal Audit Manager;</li> <li>II. make annual recommendations to the Board on the remuneration arrangements for risk and financial control personnel;</li> <li>III. approve annually the remuneration of other managers;</li> <li>IV. report management remuneration to the Board;</li> <li>V. review and make recommendations to the Board on the Remuneration Policy.</li> </ol> <p>The GRC comprises 4 non-executive directors: the Chair of the Board, the Deputy Chair of the Board, the Chair of the Risk Committee and the Chair of the Audit Committee.</p> <p>The GRC may engage independent consultants to provide advice. In 2019 the GRC engaged Mercer (Australia) Pty Ltd (Mercer), Human Resource Consultants, to provide advice about remuneration for the CEO and management team.</p> <p>Senior managers and material risk takers include:</p> <table border="1" data-bbox="507 1200 1394 1771"> <thead> <tr> <th></th> <th>Description</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Senior Managers</td> <td>Chief Executive Officer Chief Financial Officer Chief Risk Officer General Counsel and Company Secretary Executive Manager Strategic Marketing Executive Manager Retail Banking Treasurer Chief Information Officer Executive Manager Human Resources</td> <td>9</td> </tr> <tr> <td>Material risk-taker</td> <td>Persons subject to bonus or performance based remuneration.</td> <td>0</td> </tr> </tbody> </table>		Description	Number	Senior Managers	Chief Executive Officer Chief Financial Officer Chief Risk Officer General Counsel and Company Secretary Executive Manager Strategic Marketing Executive Manager Retail Banking Treasurer Chief Information Officer Executive Manager Human Resources	9	Material risk-taker	Persons subject to bonus or performance based remuneration.	0
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Material risk-taker	Persons subject to bonus or performance based remuneration.	0									
b)	Information relating to the design and structure of	QML seeks to ensure that quality employees are employed, retained and remunerated in accordance with their responsibilities, skills and experience.									

	<p>remuneration processes.</p>	<p>The remuneration processes are designed to encourage behaviour that supports QML's values, risk appetite, long-term financial soundness and risk management framework. Remuneration processes include measures of performance, the mix of remuneration between fixed and variable components and the timing of eligibility to receive variable incentive payments.</p> <p>When setting the level and composition of remuneration arrangements, QML balances:</p> <ul style="list-style-type: none"> <li>• short, medium and long term financial soundness;</li> <li>• the risk tolerance set in the risk management framework, in particular where on the risk curve the company is currently sitting and where it wants to go;</li> <li>• the commercial interest in controlling expenses</li> <li>• QML's desire to attract, retain and motivate high quality Directors, Executive Management and employees;</li> <li>• the need to ensure that remuneration adequately compensates talent for their effort, duties, obligations and risk, whilst recognizing their skills, experience and contribution to the sound running of the business and implementation of strategy;</li> <li>• the need to ensure that incentives for Executive and Senior Management and employees encourage them to pursue the growth and success of QML, both in the short term, medium and over the longer term, without taking undue risks outside of risk appetite;</li> <li>• encouraging behaviour that supports QML's purpose, long-term strategic objectives, culture, values, financial soundness, and risk management framework;</li> <li>• consideration of the time necessary for the outcomes of those business activities to be reliably measured;</li> <li>• consideration of customer outcomes and ensuring a balanced scorecard approach to remuneration;</li> <li>• QML's commerciality in understanding the market and setting appropriate remuneration levels that are viable and sustainable.</li> </ul> <p>The above is also be taken into consideration when reviewing and determining remuneration and incentive outcomes to ensure that appropriate action is taken to:</p> <ul style="list-style-type: none"> <li>• protect the financial soundness of QML; and</li> <li>• respond to significant unexpected or unintended consequences that were not foreseen by QML.</li> </ul> <p>The Remuneration Policy forms part of the risk management framework and is reviewed annually by the GRC, including the effectiveness of the policy and the adherence to prudential standards and legislation. The GRC makes recommendations to the Board for approval of any changes. The Remuneration Policy is typically reviewed annually. The policy was reviewed in September 2019 and in July 2020.</p>
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c)	Description of the ways to which current and future risks are taken into account in the remuneration processes.	<p>QML's performance may be impacted by key risks identified by the Board, including credit risk, liquidity risk, operational risk and strategic risk. QML manages key risks through its risk appetite statement, strategic and business unit plans, risk management framework, policies and procedures.</p> <p>QML's employees do not receive a substantial proportion of remuneration through bonuses or commissions, so that performance-based components are genuinely discretionary and risk taking outside of QML's risk appetite is avoided. Variable remuneration is not solely based on sales targets and volumes, and a range of factors are considered.</p> <p>When setting targets and measuring performance, QML considers risk (including risks not identified or measured by accounting profits) reflecting the level of risk to which QML is exposed by an individual in performing their role.</p> <p>Remuneration is also subject to gateways consisting of the following individual and/or collective measures:</p> <ul style="list-style-type: none"> <li>• risk</li> <li>• financial soundness</li> <li>• conduct and behaviour</li> </ul> <p>Achievement of the gateways is reviewed by the GRC following consultation with the Chief Risk Officer and Risk Committee, who makes a recommendation to the Board for approval.</p>
d)	Description of the ways in which the ADI seeks to link performance during a performance measurement period with levels of remuneration.	<p>When setting remuneration, QML considers the appropriate balance between fixed salary and variable (performance based) components. Variable remuneration is capped and payable at the discretion of QML.</p> <p>Performance, including eligibility for variable and fixed remuneration, is assessed against a range of factors using a balanced scorecard approach, including a mix of the following:</p> <ul style="list-style-type: none"> <li>• behavioural competencies that reflect QML's vision, values and culture as a customer owned bank</li> <li>• strategic objectives</li> <li>• financial objectives including controlling expenses</li> <li>• risk and compliance measures</li> <li>• satisfaction measures</li> <li>• customer outcomes</li> </ul> <p>Financial performance measures are capped.</p>

		<p>Performance-based components of remuneration will be adjusted downward by the Board where necessary (to zero, if appropriate) to:</p> <ul style="list-style-type: none"> <li>• make risk adjustments for poor risk behaviors and customer outcomes, or where an accountable person has failed to comply with his or her accountability obligations under section 37CA of the Banking Act,; and/or</li> <li>• protect the financial soundness of QML; and/or</li> <li>• reduce the amount of an accountable person who has failed to comply with his or her accountability obligations under the Banking Act by an amount that is proportionate to the failure; and/or</li> <li>• respond to significant unexpected or unintended consequences not foreseen by QML; and/or</li> <li>• any other matters it considers relevant.</li> </ul>
e)	<p>Description of the ways in which the ADI seeks to adjust remuneration to take account of longer-term performance.</p>	<p>Performance targets are aligned to QML's Strategic Plan, which has a 3 year horizon and is reviewed annually.</p> <p>The Board has the discretion to implement a long term incentive program under the Remuneration Policy. There is currently no long term incentive program in place.</p> <p>Variable remuneration is deferred if required in accordance with the Banking Executive Accountability Regime (BEAR) requirements set out in Part IIAA of <i>the Banking Act 1959</i>.</p> <p>Adjustments of performance-based components of remuneration referred to in section (d) above may include any deferred variable remuneration and may apply to performance in the current or prior review period(s).</p>
f)	<p>Description of the different forms of variable remuneration that the ADI utilises and the rationale for using these different forms.</p>	<p>All variable remuneration is in the form of cash. As QML is an unlisted public company, no remuneration takes the form of equity.</p> <p>The Board has discretion to implement a Management Retention Program (MRP) for the purpose of retaining key persons during defined periods of change and/or significant projects.</p> <p>The MRP may be made up of the following at the discretion of the Board:</p> <ul style="list-style-type: none"> <li>• a short-term Incentive (STI) program</li> <li>• a long-term incentive (LTI) program</li> </ul>

**Table B**

<b>Quantitative Disclosures</b>		
g)	Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members.	The GRC has met 8 times in the past Year
h)	The number of employees having received a variable remuneration award during the financial year.	9
	Number and total amount of guaranteed bonuses awarded during the financial year.	NIL
	Number and total amount of sign-on awards made during the financial year.	NIL
	Number and total amount of severance payments made during the financial year (inclusive of Annual and Long Service leave entitlements).	1 \$997,263
i)	Total amount of outstanding deferred remuneration, (split into cash, shares and share-linked instruments and other forms.)	NIL
	Total amount of deferred remuneration paid out in the year	NIL

**Table C: Total Value of remuneration awards for senior managers**

Number of senior managers	9	
<b>Total value of remuneration awards for the current financial year</b>	<b>Unrestricted</b>	<b>Deferred</b>
Fixed Remuneration		
• Cash-based	\$2,326,207	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	\$209,950	Nil
Variable remuneration		
• Cash-based	\$415,419	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil

**Table D: Total Value of remuneration awards for Material risk - takers**

Number of risk and compliance managers	0	
<b>Total value of remuneration awards for the current financial year</b>	<b>Unrestricted</b>	<b>Deferred</b>
Fixed Remuneration		
• Cash-based	Nil	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil
Variable remuneration		

• Cash-based	Nil	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil