



## **Holiday Coast Credit Union Ltd**

# APS 330 REMUNERATION DISCLOSURES

**As at 30 June 2018**

### **INTRODUCTION AND SCOPE OF APPLICATION**

As required under APRA's prudential standard APS330 Public Disclosure, all Authorised Deposit-Taking Institutions (ADIs) are required to publicly disclose on their websites information about their remuneration practices.

This disclosure is made in the interests of full transparency for our members and other stakeholders and is completed in accordance with Board approved policy and the reporting requirements contained within APS 330.

The information presented in this disclosure document is not audited, however it has been prepared based on information lodged with APRA and information contained within the Credit Union's annual report for the year ended 30 June 2018 which was subject to review by external audit.

## Qualitative Disclosures

### A. REMUNERATION GOVERNANCE

#### Remuneration & Succession Planning Committee

The Board Remuneration & Succession Planning Committee (R&S) is responsible for overseeing the remuneration structure and succession planning arrangements for the Board, Executive Management and other persons whose activities in the opinion of the committee may affect the financial soundness of the institution.

The R&S Committee is responsible for reviewing and making recommendations to the Board on:

- the remuneration & succession planning for the Board, CEO and Senior Executive team,
- the performance of the CEO,
- the Credit Union's Remuneration Policy,
- compliance with APRA prudential requirements relating to remuneration and
- any incentive program designed for Senior Management, Risk & Financial Control personnel and/or any other persons identified by the committee.

The R&S Committee operates in accordance with a written terms of reference that outline the Committee's roles, responsibilities and terms of operation.

The members of the R&S Committee who served during the 2017-18 year were as follows:

Jeffrey Brian Pattinson (Chairperson)	Independent Non-Executive	01 Jul 17 to 30 Jun 18
Allan Greenlees Gordon	Independent Non-Executive	01 Jul 17 to 30 Jun 18
Ross William Gilshenan	Independent Non-Executive	01 Jul 17 to 31 Oct 17
Kristal Elizabeth Kinsela	Independent Non-Executive	01 Jul 17 to 31 Oct 17
Susan McGinn	Independent Non-Executive	01 Nov 17 to 30 Jun 18

#### REMUNERATION POLICY

The Board have approved an organisational Remuneration Policy that is designed to align remuneration practices to the credit union's enterprise-wide risk management framework and strategy. The Remuneration Policy applies to all directors and employees of the credit union.

The key features and objectives of the policy are:

- to ensure that remuneration practices, in particular, performance-based remuneration programmes are designed to encourage behaviour that supports the credit union's long-term soundness and its risk management framework.
- to outline the remuneration and governance requirements for fixed and performance-based remuneration applicable to all Directors, Executives and employees of the credit union, and
- to outline the remuneration arrangements for Lending, Risk and Financial Control personnel.

The R&S Committee reviews the Remuneration Policy and it was last reviewed in February 2017.

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## MATERIAL RISK TAKERS

The R&S Committee has reviewed the risks and remuneration arrangements and has classified seven (7) persons as Senior Managers (excluding Non-Executive Directors) in accordance with Prudential Standard CPS510. No persons were considered to be material risk-takers as per Prudential Standard CPS510.

These identified roles are:

<b>Senior Managers and Material Risk Takers</b>	
<b>A Senior managers</b>	
Chief Executive Officer	Chief Financial Officer
Chief Risk Officer	Chief Information Officer
Executive Manager - Credit	Executive Manager - Retail
Company Secretary	
<b>B Material risk takers</b>	Nil

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## INDEPENDENT EXTERNAL ADVICE

During the year, the R&S Committee engaged McGuirk Management Consultants to provide advice on the appropriate remuneration level for Directors (Mutual Board Remuneration Survey) and employees (McGuirk/Instil Annual Remuneration Survey).

The information received was used by the committee to inform a recommendation to the Board on the total amount for Directors' Remuneration. The Board's recommendation was provided to the 2017 Annual General Meeting and approved by members.

The R&S Committee also used the information provided, in addition to an internal performance assessment process, to determine the applicable Salary for the CEO. The committee noted the remuneration of all staff based on the survey in accordance with the Remuneration Policy.

## B. REMUNERATION FRAMEWORK & PROCESSES

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### Remuneration Practices

Holiday Coast utilise an industry-wide job evaluation system which benchmarks the remuneration of all staff against like roles performed at similar mutual ADIs.

All employees are paid a fixed sum of remuneration within a designated remuneration band according to their individual competence and performance. Typically, employees are paid between a range of the remuneration band for their role indicating an expected standard for a person who has the required level of knowledge, skills and experience to successfully meet the job requirements.

Remuneration arrangements comprise the following components:

- fixed component consisting of salary,
- FBT charges related to employee benefits,
- Leave entitlements and employer contribution to superannuation benefits,
- For some retail personnel, a discretionary, variable or short-term cash bonus component differentiated by performance

Remuneration and performance are measured on a regular basis but at a minimum at least annually.

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## Independence of Risk and Financial Control Personnel

The performance and remuneration of risk and financial control personnel is assessed according to objectives specific to the roles they undertake, which are independent of the businesses they oversee.

Key principles of the Board's Remuneration Policy for these roles are to ensure that such personnel:

- are free of potential conflicts of interest.
- are not remunerated using volume-based metrics.
- are not incentivised based on investment benchmarks, or on the level of fraud or failure to comply that is detected.

Performance criteria of these individuals is based on the performance of the team and individual performance against set Key Performance Indicators (KPIs) and objectives relevant to their role.

Remuneration of all Risk & Financial Control personnel is via fixed salary and superannuation guarantee payments only and includes no short or long-term incentives or variable pay component.

## C. REMUNERATION RISK MANAGEMENT

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### Key Remuneration Risks

The Remuneration policy and practices are designed to mitigate key risks introduced to the business from a poorly designed remuneration framework. These key risks include:

- Inconsistent or excessive remuneration of senior management and material risk takers,
- Competitiveness for skills in key roles,
- Non-compliance with APRA prudential requirements,
- Remuneration practices, particularly, performance-based variable incentives that encourage and reward excessive risk-taking, and
- Remuneration practices which could potentially compromise the independence of risk, compliance and financial control personnel.

The measurement of Remuneration risks is often challenging and involves a degree of qualitative analysis and experienced judgement. Notwithstanding this, the review of these risks includes analysis and consideration of any variances against industry benchmarks for individual roles as outlined by our external advisors, employee turnover ratios and the proportion of variable to fixed remuneration of individual staff. These measures have not changed materially in the past year.

The key measure used to determine remuneration of personnel is the variance to industry. The Board, following review of the credit union's remuneration to industry, has established a strategy to reduce the variance between Holiday Coast and the average of the selected remuneration bands.

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### Risk Governance

The R&S Committee terms of reference are designed to ensure that the Board has adequate and effective governance arrangements over the remuneration practices of the credit union and the key risks arising from such practices.

These risks are assessed by the R&S Committee annually to ensure that the Remuneration policy encourages behaviour that supports the credit unions:

- long-term financial soundness, and
- risk management framework.

## D. PERFORMANCE-BASED REMUNERATION

### Key Performance Indicators

The Board monitors the performance of the CEO and senior executive against a range of qualitative and quantitative measures aligned to the strategic goals & objectives and the organisational culture desired by the Board.

These metrics include both financial and non-financial indicators as well as observed adherence to a set of expected values and behaviours as set by the Board.

KPI's for Risk & Compliance are required for all staff throughout the business.

### Variable Performance-based Incentives

Some front-line retail staff are rewarded with short-term incentive payments based on the achievement of particular performance objectives.

The design of each individual's performance-based remuneration arrangements allows for adjustments to reflect:

- The risks arising from the business activities in which the individual is engaged,
- The controls in place to mitigate those risks, and
- The time necessary for the outcomes of those business activities to be reliably measured.

These incentives are subject to the staff member meeting minimum Risk & Compliance criteria (gate-openers) which are reviewed independently prior to the awarding of a payment. Payments are made annually based on performance in the preceding financial year and comprise a payment equal to 25% of the entitlement by 31 August with the remaining 75% to be paid prior to 31 December enabling the assessment of performance against all risk and compliance performance criteria.

Additionally, the Remuneration policy includes a clawback provision enabling the R&S committee to adjust performance-based components of remuneration downwards, to zero if considered appropriate.

The criteria for such adjustments include, but are not limited to the following reasons:

- to protect the financial soundness of the credit union,
- to respond to significant unexpected or unintended consequences that were not foreseen by the committee, or,
- due to the failure of the individual entitled to the payment to comply with the Board's risk management policy or to adhere to the Board's expected values and behaviours.

A documented assessment against all eligibility criteria is conducted and independently reviewed prior to the actual payment of an incentive.

### Incentives for Senior Managers and Material Risk Takers

Senior Managers, Material Risk Takers, Risk, Compliance and Financial Control personnel do not receive any variable performance-based incentives as a component of their salary.

Performance based arrangements for Senior Executive Remuneration, are required to be reviewed by the R&S Committee prior to approval by the Board.

The Remuneration policy requires that any such program, if proposed, must be designed to encourage behaviour that supports the credit union's:

- long-term financial soundness, and
- risk management framework.

## E. REMUNERATION PRACTICES FOR LONGER-TERM PERFORMANCE

There is currently no mechanism in place to reward longer-term performance.

The credit union has therefore not awarded or paid during the year any long term incentives (including deferred fixed or variable remuneration); shares and share-linked instruments; sign-on awards; and/or guaranteed bonuses to the Board, CEO or any member of the Senior Executive team.

## F. FORMS OF VARIABLE REMUNERATION

### Cash payment

Variable performance-based remuneration is paid in the form of a cash payment in addition to the employees agreed salary package. The employee is responsible for the payment of income tax based on their individual level of remuneration including the receipt of any such incentive.

### Equity or Equity-linked deferred remuneration

The credit union does not provide equity or equity-linked deferred remuneration to any Director, senior executive or employee.

## Quantitative Disclosures

## G. NUMBER OF MEETINGS & COMMITTEE REMUNERATION

### Remuneration & Succession Planning Committee

The R&S Committee met on 1 occasion during the last financial year.

Directors do not receive any payment in addition to their remuneration as a director of Holiday Coast Credit Union for the services to the Remuneration & Succession Planning Committee.

The total remuneration paid to the members of the Remuneration & Succession Planning Committee in the form of directors fees in 2017/2018 was \$235,348.

## H. NUMBER OF PERSONS RECEIVING VARIABLE REMUNERATION

### Guaranteed bonuses, sign-on awards and termination payments

The following table outlines the number and total amount of guaranteed bonuses, sign-on awards and termination payments awarded during the financial year.

Table 1: All Senior Managers – Components of Variable Remuneration	2018	
	Number of employees	Total (\$)
Number of Senior Managers	7	N/A
Number & Value of Discretionary Bonuses	-	-
Number & Value of Guaranteed Bonuses	-	-
Number & Value of Sign-on Payments	-	-
Number & Value of Termination Payments	-	-

## I. DEFERRED REMUNERATION

### Deferred remuneration payments

There were no staff awarded or owed a deferred remuneration payment during the financial year.

## J. BREAKDOWN OF REMUNERATION AWARDED

### Breakdown of remuneration

The tables below outlines a breakdown of the key components of remuneration awarded to Senior Managers (Table 2) during the financial year.

No persons were considered to be material risk-takers as per Prudential Standard CPS510.

Table 2: All Senior Managers - Breakdown of Total Remuneration	2018		
	Unrestricted (\$)	Deferred (\$)	Total (\$)
<i>Fixed remuneration</i>			
Cash-based	1,174,439	-	1,174,439
Shares and share-linked instruments	-	-	-
Other	430,955	-	430,955
<b>Sub-total</b>	<b>1,605,394</b>	<b>-</b>	<b>1,605,394</b>
<i>Variable remuneration</i>			
Cash-based	-	-	-
Shares and share-linked instruments	-	-	-
Other	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,605,394</b>	<b>-</b>	<b>1,605,394</b>

## K. CHANGES IN DEFERRED REMUNERATION

### Deferred remuneration payments

There were no staff awarded or owed a deferred remuneration payment during the financial year.