



ABN 14 087 650 771

ANNUAL PRUDENTIAL REMUNERATION DISCLOSURES

30 JUNE 2019

Prudential Disclosures

For the year ended 30 June 2019

INTRODUCTION

As a locally incorporated ADI Illawarra Credit Union Ltd (“the Credit Union”) is required to disclose quantitative information about their remuneration policy and processes as well as aggregate qualitative information in relation to the ADI’s senior management and other material risk takers under Australian Prudential Standard APS 330.

BODIES THAT OVERSEE REMUNERATION

In accordance with the APRA Standard CPS 510, the Credit Union has constituted a Remuneration Committee as part of the Governance Committee to implement the Credit Union’s objectives and policies in relation to remuneration arrangements.

The Committee consists of a minimum of three nominated Directors. Members of the Committee are appointed for an initial term of one year, or as determined by the Board. Members may be reappointed to the Committee. During the course of the reporting period the members of the Remuneration Committee were Mr R Downs (Chair), Ms N Murray (resigned November 2018), Mr P Kell, Mr C Bloomfield and Ms D Lambourne (appointed February 2019).

The role of the Remuneration Committee is to:

- J Make annual recommendations to the Board, consistent with the Remuneration Policy, on the remuneration of the Chief Executive Officer, those directly reporting to the CEO, other persons whose activities may in the Committee’s opinion affect the financial soundness of the Credit Union and any person specified by APRA including risk and control personnel of the Credit Union and other persons covered by the policy;
- J Review annually the Remuneration Committee Charter including an evaluation of the Committee’s performance and the extent to which the Committee has met the requirements of this Charter; and
- J Conduct regular reviews of, and make recommendations to the Board, on the remuneration policy.

CPS510 and APS330 distinguish between “senior managers” and “material risk takers”. The Credit Union has applied these as follows during the year ended 30 June 2019:

- J Senior managers: the CEO, direct reports of the CEO and any other responsible officers of the Credit Union. This group included 8 individuals throughout the year, and 6 individuals as at 30 June 19.
- J Material risk takers: Any employee for whom a significant component of remuneration is based on performance. This group included 3 individuals throughout the year, and 2 individuals as at 30 June 19.

DESIGN AND STRUCTURE OF REMUNERATION PROCESSES

The key features and objectives of the Credit Union’s remuneration policy are as follows:

- (a) To provide a competitive level of remuneration that attracts, motivates and retains capable employees and particularly encourages and rewards high performance;
- (b) To link remuneration and rewards to positive, sustainable performance outcomes at the individual, team and Credit Union levels;
- (c) To encourage behaviour that supports the Credit Union’s long term financial soundness and risk management framework of the Credit Union;
- (d) To ensure the independence of Risk and Financial Control Personnel in the performance of their functions is not compromised; and
- (e) To ensure the Credit Union’s remuneration arrangements are, and remain, compliant with corporate governance requirements, including requirements under CPS 510.

The Remuneration Committee reviewed the Credit Union’s remuneration policy throughout the 2018/19 year, with no material changes.

Prudential Disclosures

For the year ended 30 June 2019

REMUNERATION PROCESSES AND RISK

The key risks identified by the Risk Management Framework, which are taken into account when implementing remuneration measures, include but are not limited to Credit, Liquidity, Operational and Market Risk. Quantitative Key Risk Indicators are used to measure these risks on a regular basis, ranging from monthly to annually. Compliance with these KRIs, as well as other risk/compliance measures and expectations is a component of all staff's annual performance evaluation, which forms the basis of remuneration decisions, with particular attention given to any variable performance-based payments. There have been no material changes to the nature or type of measures used to take account of these key risks throughout the year.

PERFORMANCE MEASUREMENT

The Credit Union's Performance Management Framework aligns the performance objectives of each employee with the overall objectives of the Credit Union. Employees are assessed on their achievements as well as their demonstration of Credit Union values.

The key steps of the Framework are:

- a. Objective setting where each employee has identified a set of personal objectives consistent with the key Credit Union objective categories of:
 - i. Finance and risk management
 - ii. Members and customers
 - iii. Capability
 - iv. Process efficiency and compliance.
- b. Demonstration of the Credit Union Values and Behaviours (Integrity, Excellence and Commitment).
- c. Fulfilment of all risk and compliance standards.

An employee's performance is reviewed and assessed annually with regular communication throughout the year between the employee and manager. Assessment incorporates a self-assessment by the employee and an assessment by the manager. The final performance outcome is validated in a roundtable peer review discussion facilitated by HR to ensure consistency, objectivity and rigour in the performance management process. Performance plans and assessments occur annually.

LONG TERM PERFORMANCE AND ADJUSTMENTS TO REMUNERATION

Generally performance incentives will be considered and applied on an annual basis in alignment with review of business outcomes and individual performance outcomes. More frequent (such as quarterly incentives) or out of cycle incentives may be applied where appropriate to the circumstances such as sales commissions. Regard must still be made to the broader aspects of performance assessment of the individual and with regard to the Credit Union's financial soundness.

For the CEO, a portion of the incentive is deferred to encourage longer term sustainable decision making and success of the Credit Union.

FORMS OF VARIABLE REMUNERATION

The Credit Union only utilises cash/salary bonus/commission payments in regards to variable remuneration, which is consistent with the nature and complexity of the organisation.

Prudential Disclosures

For the year ended 30 June 2019

Quantitative Disclosures as at 30th June 2019

Number of meetings held by the Remuneration Committee 3

Number of persons having received a variable remuneration award throughout the year	Senior Managers		Material Risk Takers	
	Number	Total Amount	Number	Total Amount
Guaranteed Bonuses	-	-	-	-
Sign on Awards	-	-	-	-
Termination Payments	-	-	-	-
Deferred cash remuneration outstanding	-	-	-	-
Deferred cash remuneration paid	6	176,121	-	-
Value of remuneration awards for the year ended 30th June 2019	Unrestricted	Deferred	Unrestricted	Deferred
Fixed cash remuneration	1,075,660	-	240,511	-
Variable cash remuneration	176,121	-	-	-

Quantitative Disclosures as at 30th June 2018

Number of meetings held by the Remuneration Committee 3

Number of persons having received a variable remuneration award throughout the year	Senior Managers		Material Risk Takers	
	Number	Total Amount	Number	Total Amount
Guaranteed Bonuses	-	-	-	-
Sign on Awards	-	-	-	-
Termination Payments	-	-	1	13,523
Deferred cash remuneration outstanding	6	176,121	-	-
Deferred cash remuneration paid	1	16,261	1	568
Value of remuneration awards for the year ended 30th June 2018	Unrestricted	Deferred	Unrestricted	Deferred
Fixed cash remuneration	1,009,964	-	258,977	-
Variable cash remuneration	16,261	176,121	568	-