

The logo for Credit Union Australia (CUA) features the lowercase letters 'cua' in a white, sans-serif font against a teal background.

BANKING | INSURANCE

**APS 330 Public Disclosure:
Remuneration Disclosures
- Credit Union Australia Limited**

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QUALITATIVE DISCLOSURES

- (a) Credit Union Australia Limited (CUA) Remuneration Disclosure is effective as at 30 June 2020 and the Quantitative Disclosures have been reviewed by our external auditor, KPMG. Refer to page 8 for a copy of the review report as provided by KPMG.

The Board Remuneration Committee has been established to assist the CUA Board in fulfilling its corporate governance responsibilities in regard to remuneration matters and to provide advice and recommendations to the Board including:

- conducting regular reviews, monitoring and making recommendations to the Board on CUA's People and Culture, and Remuneration Policies;
- making annual recommendations to the Board on the remuneration of the CEO, direct reports of the CEO, and any other person specifically identified for this purpose in the CUA remuneration policy or whose activities may, in the Committee's opinion, affect the financial soundness of the CUA Group; and
- reviewing and making recommendations to the Board on appropriate incentive scheme targets (short and long term) designed to drive performance of Senior CUA team members.

The Committee comprises of three non-executive directors who meet at least four times a year and the Chair of the CUA Board is a member of the committee. CUA's Chief Executive Officer and Chief People Officer attend Committee meetings however the Committee may meet without management being present, as determined by the Committee from time to time.

The Committee has the option of engaging independent advisors when the Committee considers it necessary to discharging its role and responsibilities. For the FY20 reporting period, the Committee engaged with PricewaterhouseCoopers to undertake a review of CUA's remuneration framework in Jan 2020. No other independent advisors were engaged during the reporting period.

CUA's remuneration policy was approved by the CUA Board in June 2019 and applies to all employees of CUA and its subsidiaries. The policy is reviewed no less frequently than biennially and will be going back to the CUA Board in March 2021.

For the purpose of this disclosure, Senior Managers have been identified as per the Fit and Proper (CPS 520) classification. During the 2019-20 financial year there were thirteen roles within this group which include;

Executive Committee Members
 Treasurer
 Company Secretary
 General Counsel & Company Secretary
 Head of Internal Audit

There are no other material risk takers other than those designated as Senior Managers.

- (b) CUA's remuneration policy aims to remunerate competitively in line with similar sized financial services organisations in order to attract and retain leadership talent necessary to meet organisational objectives. In addition, the remuneration policy and framework are designed to ensure CUA's long term financial soundness and support an effective risk management framework.

To achieve these objectives remuneration for senior managers comprises of Total Fixed Remuneration (TFR), Short Term Incentives (STI) and Long Term Incentives (LTI).

TFR consists of base salary, annual leave entitlements and employer contributions to superannuation funds. TFR is reviewed annually by the Board Remuneration Committee and the Board for the CEO and Executive Committee. The review considers individual performance, organisational performance and market remuneration data. Short Term and Long Term Incentives are designed to encourage conduct which is aligned to customer interests and annual business performance, as well as motivate and encourage high performance.

The remuneration policy also sets out guidelines relating to adjustments to variable remuneration, including circumstances in which the Board may exercise such discretion and the considerations in determining the quantum of any adjustments.

As noted previously, CUA's remuneration policy was reviewed by the Board Remuneration Committee and approved by the Board in June 2019. The current remuneration policy provides greater transparency of CUA's approach to risk and consequence management through variable remuneration and supports compliance and regulatory requirements set out under CPS 510 and the Banking Executive Accountability Regime (BEAR).

The performance and fixed remuneration of risk and compliance employees is assessed according to objectives specific to the roles they undertake and independent of the business objectives. Remuneration is reviewed and benchmarked both internally for peer relativity and externally against the market to ensure that it is set at an appropriate level. Any applicable short term incentive is provided after consideration of individual performance and organisational performance which are impacted by the achievement of key risk measures.

- (c) CUA's remuneration policy provides the opportunity for senior managers to participate in a short term incentive program based on a matrix that assesses:
- organisational performance, measured against key performance indicators established by the CUA Board on an annual basis; and
 - individual performance, measured against each senior manager's personal performance objectives and behaviours.

The STI payment recommendation is based on a percentage of TFR and any STI payment is subject to meeting a number of gateways tied to financial, compliance management and risk culture criteria. Board discretion allows the STI payments to be reduced to zero where either organisational key performance indicators (KPIs) or individual behaviours and performance thresholds have not been met, or where the Board considers it necessary to protect the financial soundness of CUA or to respond to significant unexpected or unintended consequences that were not foreseen. There have been no significant changes since the last reporting period.

- (d) A balanced scorecard of organisational KPIs which includes financial and non-financial metrics is used to assess business performance. Fixed remuneration is assessed against relative positioning to market and individual performance outcomes inclusive of values-based measures. STI is assessed against a mix of individual performance outcomes and organisational performance outcomes.

The Board approves funding (i.e. the pool) for the STI Plan through the budget planning process and their assessment of overall business performance. Eligibility for STI is subject to CUA achieving organisational targets including certain financial performance targets which are set by the Board on an annual basis in compliance with the Board approved Risk Appetite Statement. Organisational financial performance targets are benchmarked against industry peers.

Eligibility for STI is also subject to the individual meeting risk and compliance gateways, and organisational values as well as meeting individual performance targets. Individuals on performance management are not eligible for STI.

To ensure prudent management of the risks that CUA faces, compliance with the CUA Risk Appetite Statement is a significant consideration of overall performance. Risk management practices are governed by an integrated framework incorporating CUA policies (including the People and Culture, and Remuneration Policies).

- (e) The STI Plan for the CEO and the CEO's direct reports require a percentage of any awarded STI to be deferred for a three year period. An additional deferral year may be applied depending on the amount awarded, in accordance with the Banking Executive Accountability Regime (BEAR).

Other Senior Managers have a lower STI opportunity and proportion of their STI award is deferred for one year, in consideration of inherent role accountabilities and their relative impacts on achievement of organisational KPIs. In accordance with their respective STI plan rules, all Senior Managers are subject to malus / clawback provisions to encourage effective risk management. CUA's Remuneration Policy and the applicable STI plan rules detail the circumstances which constitute a malus / clawback event as well as the criteria that the Board may consider in determining adjustments to remuneration quantum in such events.

- (f) The LTI Plan for the CEO, CEO's direct reports and Senior Managers provides an opportunity to be awarded an LTI award at the end of a four-year Performance Period.

In alignment with the STI plan and in accordance with the LTI plan rules, all Senior Managers are subject to malus / clawback provisions to encourage effective risk management. CUA's Remuneration Policy and the applicable LTI plan rules detail the circumstances which constitute a malus / clawback event as well as the criteria that the Board may consider in determining adjustments to remuneration quantum in such events.

- (g) As a mutual organisation, CUA pays any short term incentives, long term incentives and deferred short term incentives in cash.

QUANTITATIVE DISCLOSURES - Reviewed

- (h) During the year, the Board Remuneration Committee met six times. There were two additional combined Board Remuneration and Risk Committee meetings held during the year. The Board Remuneration Committee Charter requires there to be a minimum of three members at any one time during the financial year. Members of the Board Remuneration Committee do not receive separate remuneration for their involvement in the Board Remuneration Committee.

Table 1 has been prepared on a cash basis and contains aggregated remuneration details for the three Board Remuneration Committee members for the 2020 financial year, including their annual CUA Non-Executive Director fee and remuneration for all other roles they perform for the organisation:

Table 1: Remuneration of Board Remuneration Committee (\$)	FY20 Total
Remuneration of the Board Remuneration Committee	632,095
NB. Total remuneration of the Board Remuneration Committee members for the 2019/20 financial year includes their annual CUA Non-Executive Director fee and remuneration (including termination and retirement benefits) for all other roles they perform for the organisation.	

- (i) Thirteen Senior Managers received a variable remuneration award during the financial year. Table 2 has been prepared on a cash basis and summarises the guaranteed bonuses, sign-on awards and termination payments made in FY20:

Table 2: Guaranteed bonuses, Sign-on Awards and Termination Payments (\$)	FY20			
	Senior Managers		Material Risk Takers	
	No of individuals	Total	No of individuals	Total
Guaranteed Bonuses	-	-	-	-
Sign-on Awards	-	-	-	-
Termination Payments	1	109,386	-	-

- (j) Table 3 summarises the total amounts of deferred remuneration outstanding and paid during FY20:

Table 3: Deferred Remuneration (\$)	FY20	
	Senior Managers	Material Risk Takers
Cash-based outstanding deferred remuneration ¹	1,171,169	-
Total deferred remuneration paid during the year ²	325,653	-

¹ Deferred cash-based remuneration represents the deferred and unpaid portion of STIs awarded in 2017, 2018, 2019 and 2020 financial years including superannuation.

² Consists of all deferred cash incentives from prior years paid during the financial year including superannuation received whilst employed in the capacity of Senior Manager or Material Risk Taker.

- (k) Table 4 below contains the aggregated amount of remuneration awards for FY20 in accordance with APS 330 Attachment G Table 22A:

Table 4: Total Value of Remuneration Awards (\$)	FY20			
	Senior Managers		Material Risk Takers	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed Remuneration				
Cash-based ³	4,471,682	-	-	-
Other ⁴	3,143	-	-	-
Variable Remuneration				
Cash-based ⁵	598,495	372,989	-	-
Other	-	-	-	-

Amounts set out in the table exclude any amounts paid to personnel acting in the roles set out in part (a) above where they fill those roles for a period of 90 days or less.

- (l) There are no deferred or retained remuneration exposures subject to implicit or explicit adjustments for Senior Managers/Material Risk Takers.

Definitions

Senior Managers: CUA's definition of 'Senior Managers' aligns with the 'Responsible Persons' definition within CPS 520. Key Management Personnel roles (excluding the Non-Executive Directors) are considered as the Senior Managers for the purpose of the aggregated Remuneration Disclosure.

Material Risk Takers (MRT) roles for CUA: All other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of the institution or group. There are no Material Risk Takers other than those designated as Senior Managers.

³ Represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.

⁴ Represents the net expense for long service leave and annual leave accrual for the FY20 financial year.

⁵ Cash incentives awarded for the FY20 financial year. Based on their assessment of CUA's performance and the volatile market conditions, the Board exercised their discretion to pay incentives awarded for FY20 to Enterprise Agreement roles. Payment for management roles has been withheld and will require board approval in Dec 2021.

Basis of Preparation

This report has been prepared in accordance with APS 330 Public Disclosure dated June 2020 (APS 330) paragraphs 21 and 22, and Attachment G. Quantitative Remuneration Disclosure presented in Tables 1 to 4 on pages 5 and 6 have been prepared in accordance with the accompanying footnotes and APS 330 Attachment G Table 22 (h) to (l), Table 22A, and relevant CUA accounting policies on remuneration as set out below.

Remuneration accounting policies:

i. Unrestricted remuneration

Short-term employee benefits (including cash based salaries) are expensed as the related service is provided.

ii. Deferred remuneration

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than one year and greater than one year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

iii. Superannuation

Superannuation contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

iv. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are measured at the present value of the estimated future cash outflows to be made.

Events subsequent to 30 June 2020

No other matters or circumstances have arisen since 30 June 2020 which are relevant to the disclosures included under APS 330.



Independent Auditor's Review Report

To the Directors of Credit Union Australia Limited

Conclusion

We have reviewed the Prudential Standard APS 330 Public Disclosure (**APS 330**) quantitative remuneration disclosures of Credit Union Australia Limited (the **Company**) disclosed in Tables 1 to 4 and the Basis of Preparation included in pages 5 to 7 (the **Quantitative Remuneration Disclosures**) of the attached APS 300 Public Disclosure: Remuneration Disclosures – Credit Union Australia Limited report for the year ended 30 June 2020 (the **Remuneration Report**).

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Quantitative Remuneration Disclosures disclosed in Tables 1 to 4 of the Company's Remuneration Report do not present fairly, in all material respects, the aggregate remuneration information of the Company's remuneration committee members, senior managers and material risk takers for the year ended 30 June 2020, in accordance with the Basis of Preparation.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to the Basis of Preparation in the Remuneration Report, which describes the accounting measurement criteria used to prepare the Quantitative Remuneration Disclosures. The Remuneration Report has been prepared to assist Directors of Credit Union Australia Limited to meet their reporting obligations in accordance with APS 330. As a result, the Quantitative Remuneration Disclosures may not be suitable for another purpose. Our report is intended solely for the Directors of the Company and should not be used by parties other than Credit Union Australia Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Quantitative Remuneration Disclosures in the Remuneration Report to which it relates, to any other party or for any purpose other than that for which it was prepared. Our conclusion is not modified in respect of this matter.

Emphasis of matter – matters relating to the electronic publication of the Remuneration Report

This review conclusion relates to the Quantitative Remuneration Disclosures presented in the Company's Remuneration Report for the year ended 30 June 2020 included on the Company's website. The Company's Directors are responsible for the integrity of Credit Union Australia Limited's website. We have not been engaged to report on the integrity of Credit Union Australia Limited's website. The review conclusion refers only to the subject matter described above. It does not provide a conclusion on any other information which may have been hyperlinked to/from these statements. If users of the Remuneration Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed Quantitative Remuneration Disclosures presented in the Remuneration Report to confirm the information contained in this website version of the Remuneration Report. Our conclusion is not modified in respect of this matter.



Management's responsibility for the Remuneration Report

The Directors and Management are responsible for the preparation of the remuneration Report in accordance with paragraphs 21 to 22, Attachment G Table 22 rows (g) to (k) and table 22A of the Prudential Standard APS 330 and have determined that the basis of preparation described in the Remuneration Report is appropriate to assist the Directors of Credit Union Australia Limited to meet their reporting obligations in accordance with APS 330. This responsibility includes establishing and maintaining internal control relevant to the preparation of the Remuneration Report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the Quantitative Remuneration Disclosures

Our responsibility is to express a conclusion on the Quantitative Remuneration Disclosures presented in Tables 1 to 4 on pages 5 and 6 of the Company's Remuneration Report in order to state whether, on the basis of the procedures described, we have become aware of anything that has come to our attention that causes us to believe that the Quantitative Remuneration Disclosures do not present fairly, in all material respects, in accordance with the Basis of Preparation.

We conducted our review in accordance with *Standard on Review Engagements ASRE 2405 Review of Historical Information Other than a Financial Report* and other auditing standards applicable to a review engagement. A review of the Quantitative Remuneration Disclosures consists of making enquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

ASRE 2405 requires us to comply with the independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

KPMG

KPMG

Brisbane

17 November 2020