

Incorporating the requirements of Australian Prudential Standard 330

Year ended

30 June 2019

Remuneration Disclosures



Glossary of key terms

To assist readers, key terms and abbreviations used in this report as they apply to the Group are set out below.

Term	Definition
Board	The Board of Directors at MyState Limited.
Executive Long Term Incentive Plan (ELTIP)	A remuneration arrangement which grants shares to participants that may vest in accordance with the plans rules.
Executive Management Team (EMT)	The Managing Director and Executives directly reporting to the Managing Director
The Group	The MyState Limited Group
Group People and Remuneration Committee (GPC)	The MyState Ltd Group People and Remuneration Committee
Key Management Personnel (KMP)	Persons having authority and responsibilities for planning, direction and controlling activities of the entity.
Key Performance Indicators (KPIs)	Quantitative and qualitative measures, agreed to at the start of the performance year to drive performance to both short term and long term outcomes.
Retail Incentive Programs	Variable remuneration paid to identified retail roles with direct reference to the individual's performance over a period of three months to one year.
Senior Managers	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including Directors (whether executive or otherwise) of that entity. For the MyState Limited Group, this includes the CEO and all Group Executives, as well as other Senior Managers identified as having the responsibilities identified above. (non-executive directors are not subject to the prudential disclosures)
Short Term Incentive (STI)	Remuneration paid with direct reference to the Group and the individual's performance over one financial year.
Total Employee Reward	The total combination of TFR and variable remuneration (STI) that an employee has potential to receive if they achieve target performance objectives.
Total Fixed Reward (TFR)	Consists of base remuneration plus employer contributions to superannuation.
Total Target Reward	The total combination of TFR and variable remuneration (STI and ELTIP) that an employee has potential to receive if they achieve target performance objectives.
Variable Remuneration	Performance-based remuneration, which includes short term incentives that reward performance over the financial year, and long term incentives that reward performance over a longer term.

Annual Remuneration Disclosure

As at 30 June 2019

The following remuneration disclosures have been prepared by MyState Limited Group (the Group) in accordance with the Australian Prudential Regulatory Authority's (APRA) requirements. Under prudential standard APS 330 Public Disclosure (APS330) and board approved policy.

The APS330 prudential standard requires locally incorporated authorised deposit-taking institutions (ADIs) to meet minimum requirements for the public disclosure of information on their risk profile, risk management, capital adequacy, capital instruments and remuneration practices so as to contribute to the transparency of financial markets and to enhance market discipline.

This prudential disclosure is separate to the existing Remuneration Report requirements applicable to all listed companies under the *Corporations Act 2001*, which covers only Key Management Personnel (KMP).

The quantitative information relates to the 10 Senior Managers of the Group for the financial year ending 30 June 2019.

It is deemed that the Group does not have any employees that fit the definition of Material Risk Takers. The information contained within this disclosure is based on information that is consistent with information provided to the Group's external auditor. However, the information reported is provided for regulatory disclosure purpose and is not comparable to accounting reporting or any other information disclosed elsewhere by the Group.

Group People and Remuneration Committee (GPC)

Scope

The Group People and Remuneration Committee assists the Directors in discharging the Board's responsibilities in relation to remuneration governance and to provide oversight to support the Company in achieving its human resource goals. The committee makes recommendations to the Board on:

- Remuneration arrangements for Directors, the Managing Director and other senior Executives, having regard to comparative remuneration data in the financial services industry, independent advice and compliance with the requirements of APRA Prudential Standards and the Banking Executive Accountability Regime (BEAR);
- Human Resource policies and practices, ratification of industrial instruments and oversight of compliance with legal and regulatory requirements; and

- Oversight to ensure that the Group builds capability for strategic execution and to support the Group's business operations and culture, including succession planning and matters such as the Company's Employee Share Scheme and other incentive schemes for Executives and staff.

The Group People and Remuneration Committee aims to ensure that there is no conflict of interest, regarding Executive Director involvement in Board decisions on remuneration packages and also in monitoring the involvement of Management generally in Committee discussions and deliberations regarding remuneration policy.

No Executive is directly involved in deciding their own remuneration.

The GPC full charter is available at mystatelimited.com.au

Committee Members and Remuneration

	Annual Fee Payable for Position	Incumbent	2019 FY Meetings Attended	2019 FY Meetings Held
Chair (Retired 22/2/19)	\$12,500	Mr P Armstrong	2	2
Chair (Appointed 22/2/19)	\$12,500	Mrs S Krieger	2	2
Committee members	\$5,000	Mr M Hampton	3	4
	\$5,000	Mr S Lonie	4	4
	\$5,000	Mrs S Krieger	2	2

External Advisors to the Committee 2019 FY

Advisor	Scope of Advice
Peloton Corporate	Advice regarding ELTIP Plan
MinterEllison	Advice regarding ELTIP Plan
AON Hewitt	Advice regarding Remuneration

Remuneration Philosophy

The objective of MyState Limited's remuneration policy is to promote personal and collective behaviours that deliver sustained financial performance appropriate risk management and the, good reputation of the Group.

The MYS Remuneration Policy is designed to achieve this objective by having:

- Appropriately balanced measures of employee performance that inform variable performance based pay for Executives, including short and long term incentive plans;
- Recognition and reward for strong performance linked to favourable customer outcomes and sustainable shareholder returns;
- A considered balance between the capacity to pay and the need to attract and retain capable staff at all levels;
- Ensuring that the structure of the remuneration of risk and financial control personnel, including performance based components, does not compromise the independence of these personnel in carrying out their functions;
- Short term and long term incentive performance criteria being structured within the overall risk management of the Group.

Further, the Board has an overriding discretion to reduce or clawback variable pay to mitigate unintended consequences.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration is separate and distinct from Executive remuneration.

Executives

The Company links the nature and quantum of the remuneration of the Executive Management Team (EMT), comprising the Managing Director and Executives directly reporting to the Managing Director, to its financial and operational performance. The remuneration packages for the EMT are based on a notional Total Target Reward which, from time to time, may comprise one or more of the following:

- Total fixed reward (inclusive of superannuation and salary sacrifice) (TFR);
- Cash based short term incentives (STI); and
- Equity based long term incentives (ELTIP).

External remuneration consultants are appointed on a regular basis to provide analysis and advice to the Committee to ensure that Executive remuneration is competitive and appropriately structured. The individual Executive remuneration arrangements reflect the complexity of the role, individual responsibilities, individual performance, experience and skills. The total employment cost of the remuneration package, including fringe benefits tax, is taken into account in determining an employee's TFR.

Short Term Incentive (STI)

The STI is an annual "at risk" incentive payment. It rewards EMT members for their contribution towards the achievement of the Group's goals. The maximum potential payment is calculated as a percentage of the TFR of each EMT member and is payable in cash and/or superannuation contributions.

Payment is conditional upon the achievement, during the financial year under review, of financial and non-financial performance objectives. The measures are chosen and weighted to best align the individual's reward to the Key Performance Indicators (KPI's) of the Group and its overall long term performance. There is no fixed minimum payment amount. The KPI's are measures relating to Group and personal performance accountabilities and include financial, strategic, operational, cultural, risk and compliance, customer and stakeholder measures.

Each year, GPC, in consultation with the Board, sets the KPI's for the Managing Director. The Managing Director recommends KPI's for Executives to GPC who subsequently make a recommendation to the Board.

At the end of the financial year, GPC assesses the performance of the Managing Director against the KPIs for the financial year. At the end of the financial year, the Managing Director assesses the performance of the Executives against their KPI's and makes a recommendation for each Executive to GPC as to the STI payment.

GPC recommends the STI payments to be made to the Managing Director and Executives for approval by the Board. Approval of a STI to the Managing Director or Executives is at the complete discretion of the Board. The Board discretion may result in a reduction or forfeiture of payment. The Board applies overall gateways to STI payments that are a combination of financial and nonfinancial considerations including, risk and compliance, conduct and reputation and net profit before tax. The Board have applied these gates to modify the payment awarded to Executives.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, error, misrepresentation or act or omission which the GPC or the Board (acting reasonably) considers would have resulted in the KPIs not being satisfied or there is otherwise a reward decision incorrectly made, the Board may require repayment of the whole or any part of the relevant STI, in addition to taking any other disciplinary actions.

Payment of a STI to the Managing Director or Executive who are accountable persons, is subject to the Board being satisfied that the payment may be made under the BEAR.

Executive Long Term Incentive Plan (ELTIP)

The ELTIP provides a long term “at risk” incentive, assessed over a three year performance period. It was established by the Board to encourage the EMT, comprising the Managing Director and participating Executives, by allowing them to be rewarded with shares for helping to create long term value for the Company’s shareholders. Participating Executives are allocated fully paid ordinary shares in the Company without payment on their part if performance criteria specified by the Board are satisfied in a set performance period.

Each year, an offer may be made to individual members of the EMT as determined by the Board. The maximum value of the offer is determined as a percentage of the TFR of each member of the EMT. As a general guide, noting that the Board has absolute discretion to vary, the maximum percentages used are 50% for the Managing Director and 30% for participating Executives.

The maximum value of the offer is converted into a number of fully paid ordinary shares based upon the Volume Weighted Average Price (VWAP) of shares calculated over the period of twenty (20) trading days commencing on the first business day of the financial year in which the offer is made. The number of shares is then nominally fixed.

In order for the shares to vest, certain performance criteria must be satisfied within the predetermined performance period. Both the performance criteria and the performance period are set by the Board, at its absolute discretion. The Board has, for the time being, set the three financial years, commencing with the year in which an offer is made under the plan, as the

performance period, with relative TSR, absolute post tax underlying ROE for the “2016” and “2017” offers and post-tax underlying ROE for the “2018” offer as the performance criteria.

At the end of the performance period, or as soon as possible after, the Board will determine, at its complete discretion, the number of shares in respect of which the Managing Director and participating Executive may be entitled under the terms of the relevant offer and ELTIP rules.

For offers made on or after 1 July 2018, the Board has also set a period of five years from commencement of the performance period before making an allocation of shares to an Executive who meets or partially meets the performance criteria, creating a deferral period of a further two years between the conclusion of the performance period and the allocation of shares.

On accepting an ELTIP offer made by the Company, participating Executive are required to not hedge their economic exposure to any allocated non-vested entitlement. Failure to comply with this directive will constitute a breach of duty and may result in forfeiture of the offer and/or dismissal.

Any reward that may be payable to the Managing Director and participating Executive on satisfaction of the performance criteria under any ELTIP offer is subject to reassessment and possible forfeiture, during the further deferral period, if the results on which the ELTIP reward was based, are subsequently found to have been the subject of deliberate management misstatement. In addition, where a participating Executive is also an accountable person under the BEAR, the payment of shares to the Executive will be subject to the Board’s positive assessment that their accountability obligations have been met. The payment and allocation of shares may be reduced or cancelled to the extent that the Board determines that the accountability obligations have not been met.

Vesting of shares to the Managing Director and eligible Executives is at the complete discretion of the Board. The ELTIP rules provide for an independent Trustee to act at the direction of the Company, and the Trustee may acquire and hold shares on behalf of Executives that have received an allocation of shares. The participating Executive cannot transfer or dispose of shares which have vested to them until the time specified in the ELTIP rules. A direction to the Trustee to allocate shares to each eligible Executive will be made in accordance with their entitlement under the relevant offer and ELTIP rules.

Any shares to be allocated to the Managing Director under this Plan require shareholder approval in accordance with ASX Listing Rules.

Commencement of employment during a financial year

Where an Executive commences employment with the Company post 1 July in a given year, the following conditions will apply in respect of ELTIP:

- Upon recommendation by the Managing Director, and, if deemed eligible by the Board, the Executive shall receive a pro rata offer for that year, unless that person commences employment between 1 April and 30 June, in which case, they shall not be entitled to receive an offer for that financial year; and

- Calculations for ELTIP entitlements in terms of the 20 day VWAP, must be consistent with the offers for that year, irrespective of the date that an employee commences or to whom an offer to participate is made.

Cessation of employment

On separation from the Company, ELTIP shares will be released only if the separation is due to a Qualifying Reason or is at the initiation of the Company without cause.

A Qualifying Reason, as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board, in its absolute discretion, may determine.

Where an ELTIP participant ceases employment with MYS during a performance period, the offer will be assessed by the Board at the end of the performance period along with all other participants subject to meeting the 12 month employment hurdle that applies to any ELTIP offer.

The allocation of shares to any ELTIP participant where the Executive is an accountable person, is subject to the BEAR. Shares will not be vested for ELTIP participants to the extent it would cause the Company to contravene its obligations under the BEAR.

Entitlement to dividend income on shares

During the period that allocated shares for a participating Executive are held by the Trustee, the participating Executive is entitled to receive the income arising from dividend payments on those shares and to have the Trustee exercise the voting rights on those shares in accordance with their instructions.

For the avoidance of doubt, for ELTIP offers made after 1 July 2018, the Company will not direct the Trustee to allocate the shares to the participating Executive's account during the specified 2 year deferral period. The 2 year deferral period commences after the end of the relevant performance period. During this period, such participants have no entitlement to any dividends or voting rights in respect of the shares.

Non-Executive Senior Managers

The remuneration packages of the Senior Managers are recommended by the relevant Executive within a framework and guidelines approved by the Managing Director and co-ordinated by the General Manager People and Culture. The General Manager People and Culture may seek external advice on the appropriate level and structure of Senior Manager remuneration. Any change to remuneration for any employee, or any remuneration package for a new employee, is to be approved by a manager at least one level above the reporting manager.

Remuneration packages at this level are based on Total Employee Reward (TER) comprising:

- Total fixed reward (inclusive of superannuation and salary sacrifice) (TFR); and
- Cash based short term incentives (STI)

Total remuneration for the 2019 financial year:

Total value of remuneration awards for the current financial year Remuneration type	Number	Unrestricted \$	Deferred \$
Fixed remuneration			
Cash-based	11	\$2,773,403	
Shares and share-linked instruments			
Other			
Variable remuneration			
Cash-based	7	\$517,390	
Shares and share-linked instruments			
Other			
Guaranteed bonuses	N/A	N/A	
Sign-on awards	N/A	N/A	
Terminations	1	\$194,670	

Executive Minimum Shareholding Requirement

In the absence of approval from the Board to the contrary, a Minimum Shareholding Requirement (Executive MSR) will apply to Executives whom:

1. Receive a (TFR) greater or equal to \$250,000; and
2. Participate in ELTIP and STI programs.

The MSR will be 50% of Fixed Annual Remuneration (FAR) for the Managing Director and CEO and 25% of TFR for all other executives and must be achieved within 4 years of the date that the policy becomes applicable to the Executive.

Any shares issued into deferral, from the 2018 ELTIP Offer onwards, will be recognised for the purposes of Executive MSR.

The Shares in MYS (ASX code: MYS) may be held directly or indirectly, and may include Shares obtained prior to 1 January 2015 and/or Shares acquired through ELTIP or any other scheme, which includes Shares vested and allocated but still held in trust, but excludes any allocated shares which have not yet vested.

Basis of employment

The policy of the Company is to:

- Engage the Managing Director on terms approved by the Board;
- Employ Executives on terms recommended by the Managing Director and approved by the Board;
- Provide a termination payment, as detailed in relevant employment agreements, with a maximum termination payment of 6 months TFR; and
- Where the termination is initiated by the Company, STI and LTI entitlements, are assessed in accordance with the Remuneration Policy, and may be paid for any pro-rata period of a year up to the termination date.

MyStateLimited 

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