

# Incorporating the requirements of Australian Prudential Standard 330

Year ended

**30 June 2021**

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 Limited 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	<p>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.</p> <p>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).</p>
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 2021

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 ended 30 June 2021.

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 purposes and is not comparable to statutory financial reporting or any other information disclosed elsewhere by the Group.

# Group People and Remuneration Committee (GPC)

## Scope

The GPC assists the Directors in discharging the Board's responsibilities in relation to remuneration governance and to provide oversight to support the Group in achieving its culture and capability ambitions, and to meet legal and regulatory requirements.

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, 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 of the Group's culture and capability in alignment with MyState's strategic ambitions and to support the Group's business operations. Including employee engagement, talent and succession planning, diversity, health, safety and wellbeing, and matters such as the Group's Employee Share Scheme and other incentive schemes for Executives and staff.

The GPC 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](http://mystatelimited.com.au)

## Committee Members and Remuneration

	Annual Fee Payable for Position	Incumbent	2021 FY Meetings Attended	2021 FY Meetings eligible to attend
Chair	\$10,000	Mrs S Krieger	5	5
Committee members	\$0	Mr M Hampton	5	5
	\$0	Vaughn Richtor	5	5

The Committee members fee is \$110,000 per annum, inclusive of statutory superannuation, and not adjusted for individual sub-committee participation.

## External Advisors to the Committees

Advisor	Scope of Advice
Peloton Corporate	Advice regarding ELTIP Plan
Minter Ellison	Advice regarding Executive contracts and administration of ELTIP Plan
KPMG	Advice regarding Managing Director and CEO remuneration. Advice regarding Executive Incentive Program(s)

## Remuneration Philosophy

The objective of MyState Limited's remuneration policy is to promote personal and collective behaviours that deliver good customer outcomes, sustained financial performance, appropriate risk management and maintain the 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;
- Structuring of the remuneration of risk and financial control personnel, including performance based components, so as not to compromise the independence of these personnel in carrying out their functions;
- Board discretion in the assessment and clawback of executive incentives (whether vested or unvested) as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interest of shareholders and customers; and
- Short term and long term incentive performance criteria being structured within the overall risk management of the Group.

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

## Executives

MyState Limited structures its remuneration framework for the Managing Director and each Executive directly reporting to the Managing Director (Executive) to:

- Support MyState Limited's purpose and mission
- Reflect the company's values, and
- Allow the Executive to drive our strategy

Total remuneration packages for the Executive 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).

## Short Term Incentive (STI)

The STI is an incentive with possible reward for Executive members dependent on their contribution towards the company's short and medium term goals. The maximum potential payment is calculated as a percentage of the TFR of each Executive 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, 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.

At the end of the financial year, GPC assesses the performance of the Managing Director against the KPIs for the financial year.

After consultation with the Chair of the Group Audit Committee, and the Chair of the Group Risk Committee, GPC recommends the STI payments to be made to the Managing Director and Executives for approval by the Board. Approval of an 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. In addition, the annual STI component awarded maybe reduced or forfeited if the Company and the individual Executive does not meet 'gateways' approved by the Board at the start of the financial year. Gateways to STI payments a combination of financial and non-financial considerations including, risk and compliance, conduct and reputation and net profit before tax. 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 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 and motivate participating Executive, by rewarding them 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.

Until 30 June 2021, the offers were in the form of shares; however, beyond that date offers will be in the form of performance rights that, on vesting would deliver to participants one Share for each vested performance right.

Each year, an offer may be made to individual members of the Executive as determined by the Board. The maximum value of the offer is determined as a percentage of the TFR for each Executive. As a general guide, noting that the Board has absolute discretion to vary, the maximum percentages used are 70% 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 to 30 June immediately prior to the commencement of the performance period for the relevant offer. The number of shares is then nominally fixed.

In order for the shares or performance rights 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 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, and post-tax underlying ROE for the “2018” and “2019” offers. Relative TSR and statutory ROE have been set as the performance criteria for the “2020” and “2021” offers. The Board may adjust the Statutory ROE performance criteria for one-off items for the “2020” and subsequent offers.

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

The Board has set a period of five years from commencement of the performance period an allocation of shares to an Executive can be made, 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 Group, 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 Executives on satisfaction of the performance criteria under any ELTIP offer is subject to reassessment and possible forfeiture, during the further deferral period (or earlier in the performance period), if the Board considers an adjustment event has occurred (as described in the ELTIP). This enables the Board to adjust variable remuneration (potentially to zero) if such adjustments are necessary to, among other things, protect the financial soundness of the Company or respond to significant unexpected or unintended consequences that were not foreseen by the Board. 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 number of shares that may be allocated (and/or value of any associated payment) may be reduced or cancelled to the extent that the Board determines that the accountability obligations have not been met.

Allocation 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 in the direction of the Group, 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 before they have been allocated to them, which will not occur until the end of the deferral period specified in the ELTIP rules or relevant offer. 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.

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 delivered for ELTIP participants, or any payments made 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 2021 financial year:

Total value of remuneration awards for the current financial year Remuneration type	Number	Unrestricted \$	Deferred \$
<b>Fixed remuneration</b>			
Cash-based	10	\$3,117,000	-
Shares and share-linked instruments Other	-	-	-
<b>Variable remuneration</b>			
Cash-based	-	-	-
Shares and share-linked instruments	8	-	169,321
Other	3	4,092	-
<b>Guaranteed bonuses</b>	N/A	N/A	N/A
<b>Sign-on awards</b>	N/A	N/A	N/A
<b>Terminations</b>	-	-	-

## Executive Minimum Shareholding Requirement

### Managing Director Minimum Shareholding Requirement (MD MSR)

In the absence of approval from the Board to the contrary, the MD MSR will apply to the Managing Director.

The MD MSR will be 50% of TFR and must be achieved within 4 years of appointment.

Any Shares issued into deferral (including shares which may be allocated in respect of vested performance rights), from the 2018 ELTIP Offer onwards, will be recognised for the purposes of the MD MSR.

The Shares in MyState Limited (ASX code: MYS) may be held directly or indirectly, and may include Shares obtained prior to commencement of employment and/or Shares acquired through ELTIP or any other scheme.

### Basis of employment

The policy of the Group 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 Group, 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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