

Incorporating the requirements of Australian Prudential Standard 330

Year ended

30 June 2022

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 performance rights 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, Remuneration and Nominations Committee (GPRNC)	The MyState Limited Group People, Remuneration and Nominations 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 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 2022

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 2022.

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, Remuneration and Nominations Committee (GPRNC)

Scope

The GPRNC 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 GPRNC aims to eliminate conflicts of interest from decisions concerning remuneration.

No Executive is directly involved in deciding their own remuneration.

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

Committee Members and Remuneration

	Annual Fee Payable for Position	Incumbent	2022 FY Meetings Attended	2022 FY Meetings Eligible to attend
Chair	\$10,000	Mrs S Krieger	4	4
Committee members	\$0	Mr M Hampton (Retired 31/3/22)	2	2
	\$0	Mr Vaughn Richtor	4	4
	\$0	Mr Robert Gordon	1	1
	\$0	Mr Stephen Davy	2	2

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

Remuneration Philosophy

MyState Limited's remuneration policy is founded on a company-wide commitment to transparency, ethical practices and the creation of long-term value. The framework is designed to encourage and reward actions by executives that deliver positive results for both customers and shareholders through good discipline and strong financial performance, prudent risk management, and the maintenance and enhancement of our company's earned and valued reputation for trustworthiness in the market for financial services. The remuneration policy is designed to support these objectives through:

- Appropriately structured performance-based pay for executives and other eligible employees, including short-term and long-term incentive plans
- Recognition and reward for strong performance linked to both favourable customer experiences and positive sustainable returns to shareholders
- A thoughtful balancing of the company's capacity to pay and our need to attract and retain excellent staff at all levels
- Careful structuring of remuneration for our risk and financial control managers, including performance-based payments, to preserve their independence in carrying out their important roles
- Board discretion over variable remuneration generally, including discretion to apply malus (reduction or forfeiture) to executive incentives, when appropriate, to preserve the interests of shareholders and customers and avoid unexpected or unjust outcomes
- Enhancement of risk management and governance by maintaining separate structures for non-executive director remuneration and 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. There is no fixed minimum payment amount.

Each year, GPRNC, in consultation with the Board, sets the KPI's for the Managing Director.

The Managing Director recommends KPI's for Executives to GPRNC who subsequently make a recommendation to the Board.

At the end of each financial year, the Managing Director assesses the performance of the executives against their KPIs and makes a recommendation for each executive to the Committee. Simultaneously, the Committee assesses the performance of the Managing Director against the relevant KPIs. After consultation with the chairs of the Group Audit Committee and the Group Risk Committee, the Committee recommends STI payment amounts for approval by the Board.

The Board retains complete discretion over STI payments, including the right to reduce or forfeit payments as it sees fit. The annual STI component may be reduced or forfeited if the company, or an individual executive, does not meet the 'gateway' criteria approved by the Board at the start of the financial year.

Threshold performance levels for risk and compliance, executive behaviour standards and profit must be met or exceeded for payments to be made under the STI program.

Executives are assessed as a group with reference to performance on net profit, and on risk and compliance – including corporate reputational matters. Individual executive behaviours are assessed against the MyState values, and individual executives' risk and compliance accountabilities are measured via a scorecard comprising several indicators. The Board has the discretion to reduce the STI (including to zero) if any of these gateways are not met.

The STI scorecard includes a mix of financial and non-financial metrics, with the relative weightings varying between different executive roles. The scorecard comprises a diverse list of both quantitative and qualitative performance measures (or criteria), which have been chosen with a view to driving positive outcomes not just for MyState shareholders but also for customers, employees and other key stakeholders of the organisation.

Quantitative performance measures include earnings per share, net interest margin, funds under management, loan book growth, net customer growth and employee engagement. Executives are also individually assessed with reference to their performances as leaders in their specific roles, and to their individual contributions to the future development of the organisation. The Board has the discretion to vary STI outcomes to reflect differing levels of performance.

Executive Long Term Incentive Plan (ELTIP)

The Executive Long-Term Incentive Plan (ELTIP) was established by the Board to encourage and motivate the Managing Director and other eligible executives by rewarding them with company shares for helping to create long-term value for the company's shareholders. Until 30 June 2021, participating executives were allocated fully paid ordinary shares in the company, without payment, if performance criteria specified by the Board were satisfied in a set period. Since 1 July 2021, the allocations have been in the form of 'performance rights' which, on vesting, deliver one share for each vested performance right.

Each year, the Board has the discretion to offer executives shares/performance rights worth up to a specified percentage of their total fixed reward (salary). In FY22, the offers have been equal to 70 per cent of total fixed reward for the Managing Director, and 30 per cent of total fixed reward for eligible executives. The number of shares or performance rights allocated is based on the volume weighted average price (VWAP) of shares calculated over the 20 trading days to 30 June immediately prior to the commencement of the performance period for the relevant offer.

For the shares or performance rights to vest, certain performance criteria must be satisfied within the specified performance period.

Both the performance criteria and the performance period are set by the Board alone. ELTIP performance measures are weighted equally between relative total shareholder return (TSR) and return on equity (ROE). The relative TSR incorporates both dividends paid and movements in share prices, while the ROE is a measure of corporate profitability.

Currently, the Board has set three financial years, commencing with the year in which an offer is made, 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, 2021 and 2022 offers. The Board may adjust the statutory ROE performance criteria for one-off items for the 2020 and subsequent offers.

The performance criteria are assessed following the completion of each performance period. Under the ELTIP rules, an assessment is made against the performance criteria to determine the number of shares or performance rights awarded to the Managing Director and each participating executive.

Shares or rights cannot be allocated for a further two years. This means a total period of five years will elapse from the commencement of the performance period to the time when shares are vested. Any ELTIP reward is subject to reassessment and possible reduction or forfeiture. This enables the Board to adjust share allocations (potentially to zero) to protect the financial soundness of the company or respond to significant unforeseen or unexpected consequences. In addition, if the Managing Director or a participating executive is an accountable person under the BEAR, allocating the shares will be subject to the Board being satisfied that the accountable person has met their accountability obligations. The number of shares 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 ultimately at the complete discretion of the Board. The ELTIP rules provide that an independent trustee, acting at the direction of the company, may acquire and hold allocated shares on behalf of executives. The participating executive cannot transfer or dispose of shares before they have been allocated to them. Any shares or performance rights to be allocated to the Managing Director under this plan require shareholder approval in accordance with ASX listing rules. Participating executives are required to not hedge their economic exposure to any allocated non-vested entitlement. Failure to comply with this directive will constitute breach of duty and may result in forfeiture of the offer and/or dismissal.

Commencement of employment during a financial year

Subject to Board approval, a pro-rata ELTIP offer can be made to an executive who commences employment during the financial year, but before 1 April. The terms of the offer must be consistent with all other offers for that year, irrespective of the date of employment commencement.

Cessation of employment

Executives who cease employment with the company will be eligible to receive shares only if the cessation is due to a Qualifying Reason, as defined by the ELTIP Plan Rules.

Qualifying reasons include death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board may determine.

Where an ELTIP participant ceases employment, their ELTIP 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. If the separated employee is an accountable person under BEAR, any awarded shares will not be allocated until all BEAR requirements are satisfied, including the variable remuneration deferral period.

Entitlement to dividend income

When shares allocated to an executive are held by a trustee, the executive is entitled to receive dividend payments on the allocated shares and to have the trustee exercise the voting rights on those shares in accordance with the executive's instructions. However, executives have no entitlements to dividends or voting rights for shares or performance rights during the deferral period.

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 coordinated by the General Manager People, Community and Public Affairs. The General Manager People, Community and Public Affairs 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 2022 financial year:

Total value of remuneration awards for the current financial year - Executive Remuneration type	Number	Unrestricted \$	Deferred \$
Fixed remuneration			
Cash-based	10	\$2,967,046	-
Shares and share-linked instruments	-	-	-
Other	-	-	-
Variable remuneration			
Cash-based	3	\$90,000	-
Shares and share-linked instruments	5	-	196,874
Other	2	\$2,604	-
Guaranteed bonuses	N/A	N/A	N/A
Sign-on awards	N/A	N/A	N/A
Terminations	-	-	-

Loans to Key Management Personnel

Loan transactions

Loans to KMP and their related parties (including close family members and entities over which the KMP and/or their close family members have control, joint control or significant influence) are provided in the ordinary course of business. Normal commercial terms and conditions are applied to all loans. Any discounts provided to KMP are the same as those available to all employees of the Group. There have been no write-downs or amounts recorded as provisions during FY22.

Details of loans held by KMP and their related parties during FY22, where the individual's aggregate loan balance exceeded \$100,000 at any time in this period, are as follows:

Key Management Personnel	Balance as at 1 July 2021	Interest charged during the year	Balance as at 30 June 2022	Highest balance during the year
	(\$)	(\$)	(\$)	(\$)
Brett Morgan ⁽¹⁾	0	1,147	967,147	967,147

1) Loan funded on 14 June 2022. The balance as at 31 July 2022 is \$451,678.

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, employment contract and ELTIP rules and may be paid for any pro-rata period of a year up to the termination date.

MyStateLimited 

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