



# Remuneration Policy

As at  
July 2020

# Remuneration Policy

Version	Approval Authority	Date of Approval
Version 1	Board of Directors	April 2019
Version 2	Board of Directors	July 2020

## Introduction

1. This Remuneration Policy (the Policy) applies to BNK Banking Corporation Limited ACN 087 651 849 and its related bodies corporate (the Company).
2. The Policy has been approved by the Board of Directors and forms part of the Company's risk management framework.
3. The Policy has been prepared in compliance with the requirements of the:
  - (a) Australian Prudential Standard CPS 510 Governance and takes into consideration the minimum requirements that the Company must satisfy in the interests of promoting effective governance; and
  - (b) Banking Executive Accountability Regime (BEAR) as set out in the Banking Act 1959 which applies to the Company and to accountable persons of the Company from 1 July 2019.
4. By adopting the Policy, the Company is committed to taking reasonable steps to:
  - (a) conduct its business with honesty and integrity, and with due skill, care and diligence; and
  - (b) deal with APRA in an open, constructive and cooperative way; and
  - (c) in conducting its business, prevent matters from arising that would adversely affect the Company's prudential standing or prudential reputation; and
  - (d) ensure that each of its accountable persons meet their accountability obligations; and
  - (e) ensure that each of its subsidiaries that is not an ADI complies with paragraphs 4(a) - 4(d) of this Policy as if the subsidiary were an ADI.

## Objectives of this policy

5. The objectives of the Policy are to:
  - (a) set out the Company's performance-based incentive structure for accountable persons and other key personnel that aligns remuneration outcomes with:
    - (i) good risk management, long-term soundness and sustained financial performance of the Company;
    - (ii) the Company's BEAR obligations; and
    - (iii) good customer experience as well as increasing customer and shareholder value; and
  - (b) comply with the BEAR requirements and obligations generally;
  - (c) conduct our business with honesty and integrity, deal openly with APRA and ensure that the Company takes reasonable steps to prevent matters impacting negatively on the prudential reputation or standing of the Company; and
  - (d) balance the interests of customers against the financial security of the Company, including the legitimacy of shareholders.

## Who does this policy apply to?

6. This policy applies to the activities of the following persons:
  - (a) each member of the Board Remuneration Committee (Committee);
  - (b) the Chief Executive Officer (CEO), as well as executives that report to the CEO;
  - (c) each "responsible person" as described in Prudential Standard CPS 520 Fit and Proper (CPS 520) and the Company's Fit & Proper Policy excluding responsible auditors and non-executive directors;
  - (d) each person whose primary role is risk management, compliance, internal audit or financial control, including each member of the Audit Committee and Risk & Compliance Committee; and
  - (e) 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 Company.
7. A person will be included within one of the above categories if that person is:
  - (a) employed directly by the Company;
  - (b) retained directly by the Company under contract;
  - (c) employed by, or a contractor of, a body corporate (including a service company) that

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is a related body corporate of the Company, or in some instances, an entity that is not a related body corporate of that APRA-regulated institution.

## In the event of inconsistency

8. To the extent that any part of the Policy is inconsistent with the requirements noted at paragraph 3 of this Policy, the latter will prevail.

9. In the event that consensus is not reached to resolve a potential difference between this Policy and an existing employment agreement, the existing agreement will prevail.

## The Company's accountability obligations under BEAR

10. The BEAR requires a prudentially regulated ADI to:

- (a) comply with its accountability obligations, which cover the way the Company should conduct itself and how it should engage with APRA;
- (b) meet its key personnel obligations, by ensuring all areas of the Company's operations and those of its group are attributed to accountable persons. This increases the transparency of responsibilities in the Company so any breach of accountability obligations in the Company can be attributed to an accountable person;
- (c) fairly and responsibly rewarding directors and senior management having regard to the Company's performance, the performance of senior management and the general pay environment; and
- (d) complying with all relevant legal and regulatory provisions, to include the requirements of the BEAR.

## Remuneration Packages

16. Remuneration may incorporate fixed and variable remuneration performance elements with a short and long term focus. Variable remuneration is determined in accordance with the company's variable remuneration framework.

17. The variable remuneration of an accountable person of the Company, or a subsidiary of the Company, is the portion of the accountable person's total remuneration that is conditional on the achievement of objectives. However, the general principle is subject to modification by APRA as it can specify by written notice to the Company and subsidiaries that remuneration of a particular

kind of an accountable person is, or is not, variable remuneration.

18. Remuneration packages may contain any or all of the following:

- (a) annual base salary -with provision to recognise the value of the individual's personal performance and his or her ability and experience;
- (b) rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution subject to this Policy;
- (c) share participation via employee share and option schemes;
- (d) other benefits such as holidays, sickness benefits, superannuation payments and long service benefits; and
- (e) reimbursement for any expenses incurred in the course of the personnel's duties.

19. Any remuneration payments will be paid at times specified in applicable employment agreements or performance plans. In the case of a performance-based payment, this will be paid on or around the time the annual financial report is approved following the determination of the performance-based payment and subject to the BEAR requirements.

## The deferred remuneration obligations under the BEAR

20. With respect to the variable remuneration of an accountable person of the Company or a subsidiary of the Company, the Company will ensure that the:

- (a) payment of a portion of that variable remuneration is deferred for a period; and
- (b) amount of that portion is at least the lesser of:
  - (i) 40% of the accountable person's variable remuneration for the relevant financial year; or
  - (ii) 10% of the accountable person's total remuneration for the relevant financial year; and
- (c) deferred period is at least four years or a shorter period if approved by APRA.

21. If an accountable person fails to comply with his or her accountability obligations, the person's variable remuneration will be reduced by an amount that is proportionate to the failure. The amount of the reduction will not be paid to the person.