

G&C MUTUAL BANK REMUNERATION DISCLOSURES: 2014 (REFER ATTACHMENT E – APS 330)

QUALITATIVE DISCLOSURES: 2014

1. Overview

The G&C Mutual Bank Board is responsible for overseeing employee remuneration in accordance with the Remuneration Policy following advice and recommendations from the Remuneration Committee. The Remuneration Committee acts in accordance with the responsibilities and functions set out in the Remuneration Committee Charter.

The main responsibilities of the Remuneration Committee are:

- To provide advice and recommendations to the Board, in accordance with the objectives, principles and approval procedures set out in the Committee's Charter and the Remuneration Policy, including with respect to the individual employees and designated categories of employees as set out in section 2 below;
- To make recommendations to the Board (prior to the submission of any 'Board Remuneration' resolution to an Annual General Meeting) on the aggregate annual amount of Board remuneration to be payable to G&C Mutual Bank's Non-Executive Directors;
- To conduct regular reviews of, and make recommendations to the Board regarding, any proposed changes to the Remuneration Policy or the Remuneration Committee Charter; and
- To periodically review and assess the effectiveness of the Remuneration Committee Charter and the Remuneration Policy and to recommend to the Board any desired changes to those documents.

During the year ended 30 June 2014, the Remuneration Committee (in conjunction with the Governance and Nominations Committee) held 3 meetings.

2. Scope of Remuneration Committee Charter

The scope of the Remuneration Committee Charter provides for the Committee to assess and make recommendations on the remuneration arrangements for the following categories of employees;

1. The Chief Executive Officer (CEO);
2. Employees who report directly to the CEO excluding any administrative support staff;
3. Any designated 'Responsible Person' (as defined under G&C Mutual Bank's Fit & Proper Policy but excluding the External Auditor) who is not otherwise captured under 1 or 2 above;
4. Any employee who is primarily involved in a senior management capacity in G&C Mutual Bank's Group Risk, Compliance, Internal Audit or Financial Control functions, and who is not otherwise captured under 2 or 3 above;

5. Any employee who receives (or has the potential to receive) a significant proportion of their total annual remuneration in the form of performance-linked bonuses or incentive payments;
6. Any external (i.e. non-employee) individual or organisation that is contracted to G&C Mutual Bank on terms which may entitle the person or organisation to receive incentive payments **and** who provides services of a kind which, in the opinion of the Remuneration Committee, could have the potential to adversely affect the long-term financial soundness of G&C Mutual Bank; and
7. Any external (i.e. non-employee) individual or organisation that is contracted to G&C Mutual Bank for the primary purpose of providing services relating to risk management, compliance, internal audit or financial control, and in relation to which the total cost of the services to be provided in any financial year exceeds or is expected to exceed \$20,000, but excluding any such contractual arrangement that has been separately and explicitly approved by the Audit Committee or the Risk Committee.

During the year ended 30 June 2014, there were no G&C Mutual Bank employees or external parties who were captured under categories 5, 6 or 7 above. With the exception of the individual employees and designated categories of employees in 1 – 7 above, the Board has delegated to the CEO the responsibility for determining the remuneration arrangements for G&C Mutual Bank employees (including **all** employees who are subject to the terms of the current Enterprise Agreement 2014 – 2017).

3. Responsible Persons & Material Risk-takers

The following G&C Mutual Bank employees are classified as ‘Responsible Persons’ under G&C Mutual Bank’s Fit and Proper Policy:

- (a) Chief Executive Officer;
- (b) Deputy Chief Executive Officer;
- (c) Chief Financial Officer;
- (d) Chief Operating Officer;
- (e) Chief Risk Officer; and
- (f) Senior Manager - Internal Audit.

During the year ended 30 June 2014, there were no G&C Mutual Bank employees who received or had the potential to receive a significant portion of their total remuneration in the form of variable or performance-linked payments.

4. Objectives of Remuneration Policy

The Remuneration Policy is designed to support G&C Mutual Bank’s strategic and commercial objectives while at all times ensuring compliance with the Corporations Act and applicable APRA prudential standards.

The main objectives of G&C Mutual Bank’s remuneration framework are:

- To attract and retain suitably skilled and experienced employees;

- To minimise the risk of G&C Mutual Bank being exposed to the sudden or unexpected departure of key management personnel;
- To ensure that the structure of employee remuneration supports G&C Mutual Bank's long-term financial soundness; and
- To ensure that any variable remuneration components are appropriately structured such that they provide **no incentive** for any employee (whether acting alone or collectively with others) to engage in imprudent risk-taking.

The Remuneration Policy is reviewed annually and was last reviewed by the Remuneration Committee and the Board in June 2014.

5. Variable Remuneration Components: Principles and Approval Procedures

The remuneration arrangements for employees who are primarily involved, at a senior management level, in G&C Mutual Bank's Group Risk, Compliance, Internal Audit and Financial Control functions (including the annual review of those arrangements and any material changes to those arrangements) are approved by the Remuneration Committee following recommendations from the CEO and the Chair of the Risk Committee. The remuneration arrangements for G&C Mutual Bank employees falling within the above categories are not permitted to incorporate **any** component of variable or performance-linked remuneration.

In accordance with the Remuneration Policy and the applicable Employment Contracts, the remuneration arrangements for employees holding the positions described in 3 (a) – (d) above may include a mix of fixed and variable (i.e. performance-linked) remuneration. Any variable short term remuneration component for the holders of those 4 positions is not permitted to exceed, with respect to any financial year, 15% of the amount of fixed remuneration that those employees are entitled to receive in the applicable year. The approval for any such short term variable remuneration is at the total discretion of the Board, and can only be made following a supporting recommendation from the Remuneration Committee and subject to the Board being satisfied that the making of any proposed payment would not have an adverse affect on the financial soundness of G&C Mutual Bank.

The remuneration arrangements for the employees in 3 (a) – (d) above may also incorporate, at the total discretion of the Board following a supporting recommendation from the Remuneration Committee, a long term variable remuneration component, but only on condition that:

- (a) The long term remuneration component is specifically designed to promote employee retention over a desired timeframe and to mitigate the risk of the relevant employees departing unexpectedly before that date; and
- (b) The applicable amount is only payable subject to the Board being satisfied that making of the payment will not have an adverse affect on the financial soundness of G&C Mutual Bank.

As at 30 June 2014, none of the remuneration arrangements for the employees in 3 (a) – (d) above incorporated any form of variable long term remuneration.

Quantitative Remuneration Disclosures: 2014 (refer Attachment E - APS 330)

1. Quantitative Remuneration Disclosures: Decision-making Body

During the 2013/14 financial year, the Board held 8 meetings and the Remuneration Committee (in conjunction with the Governance & Nominations Committee) held 3 meetings. The Board is the main body responsible for overseeing remuneration matters in accordance with the Remuneration Policy. The Remuneration Committee is responsible for making recommendations to the Board in accordance with the parameters and procedures set out in its Charter and the Remuneration Policy. The total aggregate remuneration paid to Board members in the 2013/14 financial year is set out in Table 1 below.

| Table 1: Aggregate Board Remuneration | 2014 \$ |
|---|------------|
| Total remuneration of all Board members | 323,920 |

2. Quantitative Disclosures: Remuneration of ‘Senior Managers’ and other ‘Material Risk Takers’

Tables 2 and 3 below include, with respect to all employees who are classified as ‘Senior Managers’* under the Remuneration Policy, the information that is required to be disclosed under APS 330 Attachment E Clause 3 (h) – (k).

**[Note: The category of ‘Senior Managers’ includes all employees who are defined as ‘Responsible Persons’ under the Remuneration Policy and APRA Standard CPS 520 Fit & Proper.]*

Tables 4 and 5 include, with respect to all employees other than Senior Managers who are classified as ‘Material Risk Takers’**, the information that is required to be disclosed under APS 330 Attachment E Clause 3 (h) – (k).

***[Note: The category of ‘Material Risk Takers’ includes all employees other than ‘Senior Managers’ whose activities may potentially affect the financial soundness of the organisation **and** whose total remuneration includes a significant proportion of variable performance-linked remuneration components.]*

| Table 2: All Senior Managers – Components of Variable Remuneration | 2014 | |
|---|------------------|------------|
| | No. of Employees | Total (\$) |
| Number of Senior Managers | 6 | N/A |
| Number & Value of Discretionary Bonuses | 4 | 132,137 |
| Number & Value of Guaranteed Bonuses | NIL | NIL |
| Number & Value of Sign-on Payments | NIL | NIL |
| Number & Value of Termination Payments | NIL | NIL |
| Value of Deferred Remuneration Paid in Year | NIL | NIL |
| Value of Outstanding Deferred Remuneration | NIL | NIL |

| Table 3: All Senior Managers – Breakdown of Total Remuneration | 2014 | | |
|---|--------------------|----------------|------------------|
| | Unrestricted \$ | Deferred \$ | Total \$ |
| Fixed Remuneration | | | |
| • Cash-based | 1,760,418 | NIL | 1,760,418 |
| • Shares and share-linked instruments | NIL | NIL | NIL |
| • Other | NIL | NIL | NIL |
| Total Fixed | 1,760,418 | NIL | 1,760,418 |
| Variable Remuneration | | | |
| • Cash-based | 132,137 | NIL | 132,137 |
| • Shares and share-linked instruments | NIL | NIL | NIL |
| • Other | NIL | NIL | NIL |
| Total Variable | 132,137 | NIL | 132,137 |
| Total Remuneration | 1,892,555 | NIL | 1,892,555 |

| Table 4: Material Risk Takers – Components of Variable Remuneration | 2014 | |
|--|------------------|------------|
| | No. of employees | Total (\$) |
| Number of Material Risk Takers | NIL | N/A |
| Number & Value of Discretionary Bonuses | NIL | NIL |
| Number & Value of Guaranteed Bonuses | NIL | NIL |
| Number & Value of Sign-on Payments | NIL | NIL |
| Number & Value of Termination Payments | NIL | NIL |
| Value of Deferred Remuneration Paid in Year | NIL | NIL |
| Value of Outstanding Deferred Remuneration | NIL | NIL |

| Table 5: Material Risk Takers – Breakdown of Total Remuneration | 2014 | | |
|--|--------------------|----------------|-------------|
| | Unrestricted \$ | Deferred \$ | Total \$ |
| Fixed Remuneration | | | |
| • Cash-based | NIL | NIL | NIL |
| • Shares and share-linked instruments | NIL | NIL | NIL |
| • Other | NIL | NIL | NIL |
| Total Fixed | NIL | NIL | NIL |
| Variable Remuneration | | | |
| • Cash-based | NIL | NIL | NIL |
| • Shares and share-linked instruments | NIL | NIL | NIL |
| • Other | NIL | NIL | NIL |
| Total Variable | NIL | NIL | NIL |
| Total Remuneration | NIL | NIL | NIL |