

## Introduction

As a locally incorporated ADI governed by the framework of the APRA Prudential Standards, Horizon Credit Union Ltd (“HCU”) is required to make both the following qualitative and quantitative disclosures in relation to their remuneration policy and processes under the APS330 Prudential Standard.

## Bodies That Oversee Remuneration

HCU has a Remuneration Committee set up in accordance with CPS510 to oversee the application and review of the Remuneration Policy, make recommendations to the Board on salaries for the CEO and other senior managers. The remuneration of the Board must be approved by the members at the Annual General Meeting before being effective.

The Remuneration Committee consists of at least three directors and during the reporting period included Mark Crowther, Peter Dun and Glenda Papac.

In determining CEO and senior manager remuneration, the committee referred to market remuneration information supplied by external consultants. This information is used to compare senior management remuneration with that of ADIs of similar size and complexity.

The management team is divided into:

Type of Person	Description	Number
Senior Managers	CEO and managers for operations, finance, lending, marketing, risk and compliance	6
Material Risk Takers	Persons subject to bonus or performance based remuneration	Nil

## Design and Structure of Remuneration Processes

The key features and objectives of HCU’s remuneration policy are as follows:

- a) Provide attractive and flexible remuneration arrangements to ensure that motivated and capable staff are attracted to, and retained by the credit union;
- b) Provide a structure through which key staff are motivated to perform at an outstanding level, hence supporting the HCU’s strategic goals;
- c) Establish a framework for performance based remuneration components that encourage behaviour that supports HCU’s long term financial soundness and risk management;
- d) Ensure the independence of Risk and Control personnel in the performance of their function; and
- e) To ensure that HCU’s remuneration arrangements are, and remain, compliant with corporate governance requirements, including those under CPS510.

The policy is reviewed at least every two years and was last reviewed on 22 August 2018.

Risk and compliance is overseen by the Chief Risk Officer. This employee is on a fixed salary which is evaluated by the Remuneration Committee to ensure that the reporting obligations are not compromised by financial incentives.

### **Risk and Remuneration Processes**

The policy seeks to ensure that quality employees are employed, retained and remunerated in accordance with their responsibilities and experience.

The Remuneration Committee seeks input from external remuneration consultants and applicable surveys to guide the committee on the appropriate remuneration for the senior management team.

The Remuneration Committee assesses the relevant remuneration on a case by case basis, with reference to each individual's Key Performance Indicators (KPIs) to ensure the remuneration reflects the skill, experience and performance of the managers in meeting board expectations and changes in the business proposed by the strategic plan. There were no changes made throughout the year to this process.

### **Performance Measurement**

The performance of HCU is impacted by the market conditions at the time and by the level of adherence to policies of the credit union, so as to remain within the risk appetite of the board.

While HCU does not have a direct link between performance and remuneration for Senior Managers, the meeting of KPIs within the remuneration policy does provide a basis by which individual incentives are determined.

The Remuneration Committee has discretion to adjust the performance based components of a person's remuneration up or down, depending on the financial performance in the economic environment, compliance with regulatory requirements and the results of member satisfaction feedback, in assessing the performance of the CEO and other Senior Managers of the credit union.

### **Long Term Performance**

There are no specific measures taken to reward longer term performance. Remuneration is based on the salary agreed in the consultation with the senior manager on an annual basis. There is no deferred remuneration arranged with the managers other than the employee statutory entitlements and award conditions as amended.

### **Variable Remuneration**

There are no elements of variable remuneration at the credit union that are pre-determined. Any performance bonus arrangements are generally capped to a maximum of 10% of Fixed Remuneration and are paid in cash. The Board has discretion to pay bonuses beyond this level for extraordinary performance.

## Quantitative Disclosures for the financial year ended 30<sup>th</sup> June 2019

	Number			
Number of meetings held by the Remuneration Committee during the financial year	1			
	Senior Managers		Material Risk Takers	
	Number	Total Amount	Number	Total Amount
Persons having received during the financial year				
- A variable remuneration award	6	77,791	-	-
- Guaranteed bonuses	-	-	-	-
- Sign-on awards	-	-	-	-
- Termination payments	-	-	-	-
- Deferred remuneration outstanding	-	-	-	-
- Deferred remuneration paid	-	-	-	-
<b>Total value of remuneration awards for the current financial year</b>	<b>Unrestricted</b>	<b>Deferred</b>	<b>Unrestricted</b>	<b>Deferred</b>
Fixed remuneration				
- Cash-based	887,706	-	-	-
- Shares and share-linked instruments	-	-	-	-
- Other	57,857	-	-	-
Variable remuneration				
- Cash-based	77,791	-	-	-
- Shares and share-linked instruments	-	-	-	-
- Other	-	-	-	-