



**AUSWIDE**  
— **BANK** —

# **BOARD REMUNERATION COMMITTEE CHARTER**

Current at April 2015

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## **1 PURPOSE OF THE BOARD REMUNERATION COMMITTEE**

1.1 The Board Remuneration Committee (the Committee) has been appointed by the Board of Directors (the Board) of Auswide Bank Ltd to perform the functions outlined in this Charter.

1.2 The Committee's primary function is to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to remuneration by ensuring that Auswide Bank has clear remuneration policies and practices that fairly and responsibly reward individuals having regard to performance, Auswide Bank's risk management framework, the law and the highest standards of governance.

The committee's purpose is:

- to review and make recommendations to the Board in relation to the Auswide Bank Ltd Remuneration Policy (Policy) and to assess the Policy's effectiveness and its compliance with Prudential Standards;
- to review and make recommendations to the Board in relation to the individual remuneration levels and reward outcomes for the Managing Director/CEO, non-executive Directors, other executives who report directly to the Managing Director/CEO, each category of persons covered by the Remuneration Policy and any other key personnel the Board determines to be in a role of material influence;
- to review and make recommendation to the Board on the corporate goals and objectives relevant to the remuneration of the Managing Director/CEO, and the performance of the Managing Director/CEO in light of these objectives;
- to approve short term and long term incentive plans for Auswide Bank's executives;
- to review and make recommendations to the Board in relation to approving any and all performance rights plans;
- to oversee succession planning for senior executives;
- to oversee general remuneration practices and incentive programs across Auswide Bank.

## **2 COMPOSITION**

2.1 The Board will determine the members of the Committee and the Committee Chairman from time to time. The Committee will have a minimum of three members at any time.

2.2 The Committee will comprise solely of non-executive Directors who are free from any business or other relationship that in the opinion of the Board would materially interfere with the exercise of his or her independent judgment as a member of the Committee.

2.3 Each member is expected to have adequate remuneration, regulatory and industry knowledge.

### **3 MEETINGS**

3.1 The Committee should meet at least four times per year, or more frequently if required by the Board or the Committee Chairman.

3.2 A quorum will be two members.

3.2 Should the Chairman of the Committee be absent from any meeting of the Committee, the members of the Committee present at that meeting shall appoint one of their number to the chairman of that meeting. Members may be present in person, or by direct electronic communication such as telephone or video link.

3.3 Board non-executive Directors who are not Committee members may attend Committee meetings after consultation with the Committee Chairman.

3.4 Neither the Managing Director/CEO nor any other individual may attend Committee meetings during discussions regarding their own remuneration or specific remuneration policies that are applicable to them or regarding matters they have a personal interest in. Neither the Managing Director/CEO nor any other individual has any voting rights at any Committee meeting regardless of the resolution being considered.

3.5 The Chief Risk Officer (CRO) is required to attend meetings where matters specific to risk-adjusted remuneration measures are discussed.

3.6 The agenda for each Committee meeting, as well as documents to be considered at each meeting will be distributed to Committee members within a reasonable period prior to the meeting.

### **4 REPORTING, ASSESSMENT AND ACCOUNTABILITY**

4.1 Minutes must be kept of all Committee meetings and circulated to the Board. The Committee, through its Chairman, will report to the Board, at the earliest possible Board Meeting after each Committee meeting, any matters that the Committee considers should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.

4.2 A review of the Charter and its continuing adequacy will be performed on a regular basis as required. An evaluation of the Committee's performance as it related to the requirements of the Charter will be performed annually.

4.3 The Committee will:

- refer any matter of significant importance to the Board for its consideration and attention;
- approve an annual remuneration report and make recommendations to the Board for the inclusion of the Remuneration Report in the Company's annual report. The Remuneration

Report will contain information on Auswide Bank's remuneration policy, practices and strategy;

- ensure that the remuneration arrangements of the Managing Director/CEO and other senior executives / key personnel are disclosed in accordance with any applicable governance, accounting and legal requirements;
- provide the Board with information sufficient to ensure that the Board makes an informed decision in relation to the Committee's recommendations; and
- monitor the principles and framework required for measuring the compliance and behavioural requirements of Auswide Bank on a regular basis and will report and submit recommendations to the Board on these matters, as and when required.
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## **5 DUTIES AND RESPONSIBILITIES**

### **Remuneration Policy**

5.1 Review and make recommendations to the Board in relation to the Board Remuneration Policy and to assess its effectiveness and its compliance with the requirements of the APRA Prudential Standards.

5.2 Review the on-going appropriateness and relevance of the Policy at a minimum of every two years or when there are proposed amendments. In particular, the Committee will provide reasonable assurance that the Policy:

- complies with governance and all applicable legislative requirements regarding remuneration and its disclosure, including superannuation;
- supports Auswide Bank's long term financial soundness, growth and success and aligns with its risk management framework;
- involves an appropriate balance between fixed and variable remuneration, reflecting the short and long term performance objectives appropriate to Auswide Bank's circumstances and goals;
- demonstrates a clear relationship between individual and business performance and remuneration outcomes;
- is aligned with shareholder outcomes; and
- attracts and retains talent to deliver superior performance, by providing remuneration packages that are equitable and externally competitive.

5.3 Review and make recommendations to the Board in relation to the recruitment, retention, termination policies and payments and succession planning processes for the Managing Director / CEO and other executive positions and key persons.

### **Performance and Remuneration**

5.4 The responsibilities of the Committee include, but are not limited to:

### **Managing Director / CEO**

- Consider and recommend to the Board the terms and conditions of the Managing Director/CEO's employment contract, including fixed annual remuneration, short-term and long-term incentives, equity-based remuneration, benefits, superannuation, retirement and termination compensation;
- Review and recommend to the Board, at least annually, remuneration arrangements for the Managing Director/CEO with due consideration to the law and corporate governance provisions;
- Consider and recommend to the Board robust performance measures and targets that encourage superior performance and ethical behaviour;
- Review, at least annually and recommend to the Board, the performance of the Managing Director/CEO against individual and company targets contained in the incentive arrangements;
- Ensure that any new or varied contracts are disclosed in accordance with any governance, accounting and legal requirements.

### **Senior Executives / Key Personnel**

- Review and make annual recommendations to the Board in relation to the remuneration structure that will apply to senior executives who report directly to the Managing Director/CEO, including executive directors, and any other Responsible Persons (as defined by APRA's Prudential Standards) and any other key personnel considered by Auswide Bank to be in a role with material influence;
- Establish and maintain a process to set robust performance measures and targets that encourage superior executive performance and ethical behavior;
- Oversee the process for the measurement and assessment of performance.

### **Other Employees**

- Review and make annual recommendations to the Board, where appropriate, on the remuneration structures of the categories of persons required by APRA Prudential Standards or other applicable regulators to be covered by the Remuneration Policy (to the extent not already covered above);
- Be aware and advise the Board of any major changes in employee benefit structures throughout Auswide Bank.

### **Incentives**

- Review and approve:
  - the design and implementation of cash and performance rights incentive plans;
  - the introduction, modification or deletion of any performance measures that impact Auswide Bank's employee short- term and long-term incentive programs;

- incentive pool amounts for Auswide Bank's employee short-term incentive program incorporating appropriate risk adjusted performance measures;
  - the methodology for assessing, determining and adjusting incentive awards to ensure performance over the longer term, aligned with shareholder outcomes, is achieved;
  - the terms and conditions of any offers under the existing employee share scheme and performance rights plans, including setting the terms of issue of shares, performance rights and approving the issue of securities in the Company in connection with such offers (within the aggregate number of securities to be approved by the Board);
  - assessment of performance and compliance and determining the appropriate level of vesting and/or lapsing of incentives in accordance the terms of the incentive plans;
  - any award of equity, appropriate forfeiture/lapsing or retention on unvested equity in accordance with the terms and conditions of the Plan;
  - the design and implementation of significant tailored cash and equity based incentive plans specific to employees that do not impact senior executives and other groups of employees identified above.
- Review and approve amendments to Performance Rights Plan rules and governing trust deeds in accordance with the terms of the relevant trust deed, except where the amendment is material and significant in nature or approval by the Board is required or preferred within the relevant legal or taxation jurisdiction.

### **Termination Payments**

5.5 The Committee will review and monitor termination payments for senior executives (as defined in the Corporations Act) including the Managing Director/CEO, executive and non-executive directors and other senior management to ensure they meet legislative requirements.