



12 January 2023

APS 330 REMUNERATION DISCLOSURES

Period ended 31 August 2022.



1 Introduction.

These remuneration disclosures have been prepared in line with APRA Prudential Standard APS 330 Public Disclosure (**APS 330**). APS 330 requires that all Authorised Deposit-taking Institutions (**ADIs**) meet the minimum requirements for public disclosure of qualitative and quantitative information concerning their remuneration practices.

The quantitative information disclosed relates to Senior Managers and Material Risk Takers (**MRT**) of Bank of Queensland Limited (**BOQ**) ADI for the financial year ended 31 August 2022 (**FY22**).

This prudential disclosure is separate from the FY22 Remuneration Report.

For the purposes of this disclosure:

Senior Managers refers to the roles outlined in paragraph 57(a) of APRA Prudential Standard CPS 510 Governance (**CPS 510**). At BOQ this includes the following roles:

- The Managing Director & Chief Executive Officer (**MD&CEO**);
- Members of the Executive Committee, including Group Executives; and
- Other Responsible Persons (**RP**) of BOQ as defined in paragraph 20(a) of APRA Prudential Standard CPS 520 Fit and Proper (**CPS 520**) and in BOQ's Fit and Proper Policy.

During FY22 there were 21 employees in this group, including 9 who were considered Senior Managers for part of the year.

MRT refers to the roles outlined in paragraph 57(c) of CPS 510 as 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 regulated institution.

In the context of BOQ there were no MRT who are not also Senior Managers for the reporting period. Therefore, all MRT are included in the Senior Manager category and are not separately disclosed.

2 Qualitative disclosures.

The qualitative disclosures are made in accordance with Table 22 of APS 330, Attachment G.

2.1 Remuneration governance.

2.1.1 People, Culture & Remuneration Committee.

The Board is ultimately responsible for remuneration governance and has established the People, Culture & Remuneration Committee (the **Committee**) which oversees BOQ's people, culture and remuneration settings.

The Committee's purpose is to assist the Board to set the values and manage the culture, conduct and capability of personnel within BOQ and its subsidiaries (**BOQ Group**) and effectively discharge its responsibilities to oversee the remuneration policies and practices of BOQ Group.

The Committee:

- ordinarily meets a minimum of four times per year, and during FY22 met six times;
- comprised of seven Non-executive Directors (**NEDs**) for the full year, noting that there were eight NEDs on the Committee in the period 13 October to 7 December 2021;
- operates in accordance with its Charter, which is reviewed at least every two years and is available on the BOQ web site;
- seeks to ensure that BOQ's remuneration policies and frameworks continue to support BOQ Group's overall risk management framework (**RMF**); and
- reviews the Group Remuneration Policy on at least an annual basis, and more frequently as required to respond to evolving regulatory, business and legislative conditions.

2.1.2 Use of remuneration consultants.

Where necessary, the Board seeks advice from independent experts and advisors, including remuneration consultants. Remuneration consultants are engaged by and report directly to the Committee Chair, ensuring an appropriate level of independence from management. Where an engagement requires a recommendation, the recommendation is provided to and discussed directly with the Committee Chair.

During FY22, the Committee did not engage independent advisors to provide remuneration recommendations as defined under the Corporations Act.

2.1.3 Group Remuneration Policy.

The BOQ Group Remuneration Policy applied to all employees of the Group. The Policy specifically considers remuneration arrangements for particular categories of roles and employees as set out in CPS 510, including Senior Managers and MRT as reported in this disclosure.

2.1.4 Risk and financial control personnel.

Risk and financial control personnel (as defined in paragraph 57(b) of CPS 510) are employed in centralised functions across BOQ. Remuneration outcomes for these individuals are based on the performance of BOQ and their individual performance against goals and objectives.

The objectives set for individuals in these functions are not linked to the financial performance of the business unit they oversee. As further detailed in section 2.2.2 (Performance measures), the Board approves the Group scorecard. The Board Risk Committee has input into the performance measures for the Group Chief Risk Officer.

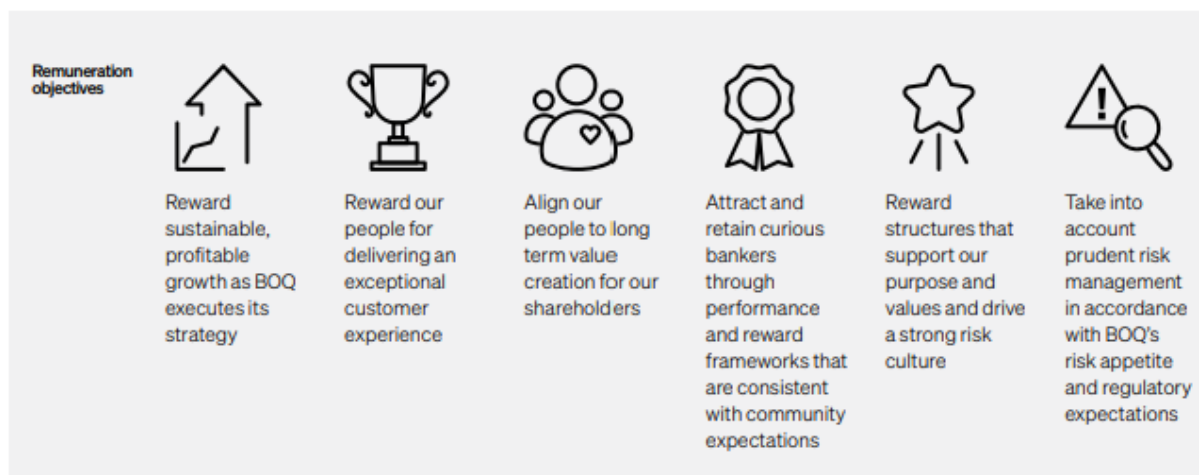
2.2 Remuneration framework.

2.2.1 Remuneration framework.

Remuneration at BOQ Group is structured in a way that ensures:

- Alignment to regulatory and legislative requirements, including the minimum deferral arrangements for AP as set out in the BEAR legislation; and
- Supports the achievement of BOQ's strategy, in accordance with the remuneration objectives set out in Figure 1.

Figure 1. BOQ’s remuneration objectives



The remuneration structure in place for all employees is consistent with the Group Remuneration Policy and is based on a total remuneration approach comprising an appropriate mix of fixed remuneration in the form of salary, superannuation and benefits, and variable remuneration which includes short-term incentives (**STI**) delivered in cash and/or equity, and long-term incentives (**LTI**) delivered in equity. Equity is delivered over time and subject to continued tenure of the participant and any other performance conditions attached to the particular grant. Equity awards are subject to malus and clawback, as further detailed in section 2.4.6.

The total remuneration opportunity for all employees is reviewed on an annual basis, and the total remuneration mix depends on the level of role within the organisation and an individual’s performance.

Performance-based incentive arrangements are designed to encourage behaviour that supports:

- BOQ’s long term financial soundness;
- BOQ’s RMF; and
- alignment with customer and community expectations.

2.2.2 Performance measures

All employees of BOQ are required to have performance goals that are aligned to the Group’s strategy and contain an appropriate degree of stretch, and are expected to adhere to minimum standards of conduct and behaviour. For FY22:

- The Group Scorecard contained the performance measures for the MD&CEO.
- Each Group Executive had a Divisional Scorecard, which was a cascade of the Group Scorecard. Group Executives were assessed based on their Divisional Scorecards and the contribution of Divisional Scorecard outcomes to the Group Scorecard results.
- Senior Managers below Group Executive level were assessed based on their individual performance in role, including against their strategic goals.

A summary of the FY22 Group scorecard measures is provided in Table 1.

Table 1. FY22 Group scorecard measures

Strategic priority	Weighting	Measures
Our empathetic culture sets us apart	10%	Delighting out customers - Net Promoter Score; engagement, culture and leadership including women in leadership; retention of talent; climate change.
Distinctive brands serving attractive niche customer segments	10%	Mortgage growth; business lending growth; ME Bank integration.
Digital bank of the future with a personal touch	10%	Delivery of a new digital bank; digital sales and service.
Simple and intuitive business, with strong execution capability	10%	Productivity benefits; product simplification; closing out legacy systems; time to conditional yes.
Strong risk position	10%	Strengthen the bank through CET1 ratio and deposit growth; strong risk and compliance outcomes.
Strong financial position, with attractive returns	50%	Profitable and sustainable growth in cash earnings and earnings per share; return on equity; contained expense growth and positive Jaws.

2.3 Remuneration components.

2.3.1 Fixed reward.

Fixed reward is provided to remunerate employees for performing their ongoing, day-to-day work. It comprises base salary, superannuation contributions and other benefits. Fixed reward is paid in cash.

Fixed reward levels are set to attract and retain talent and reflect the individual's skills, capabilities and experience and having regard for internal relativities, pay equity considerations, including rigorous gender pay equity review, and performance (where applicable).

To ensure competitiveness, fixed reward levels are informed by benchmarking comparable roles in financial services and/or similarly sized Australian companies.

2.3.2 Senior Executive Remuneration Framework.

BOQ Group's Senior Executive Remuneration Framework, applies to the MD&CEO, Group Executives and certain other Senior Executives who are invited to participate. The Senior Executive Remuneration Framework consists of fixed reward and variable reward, which is offered in the form of Performance Shares (or short-term incentives (**STI**), in some cases below Group Executive level) and Premium Priced Options. There is no cash component of variable remuneration for the MD&CEO and Group Executives. Other participants may receive part of their variable remuneration as an STI that is delivered partly in cash and, subject to the quantum, partly in restricted shares.

The Senior Executive Remuneration Framework is intended to reward senior executives for management decisions that are focused on the Group’s strategic priorities and long-term, sustainable performance, provide alignment with shareholder interests and encourage retention. The delivery and realisation timeframes for the Performance Shares and Premium Priced Options awarded under the Senior Executive Remuneration Framework is set out in Figure 2, below.

Grants were made to eligible Senior Executives using the volume weighted average price (**VWAP**) as determined by the Board. Shareholder approval was provided for the MD&CEO’s FY22 grants of Performance Shares and Premium Priced Options at the AGM in December 2021.

Performance Shares

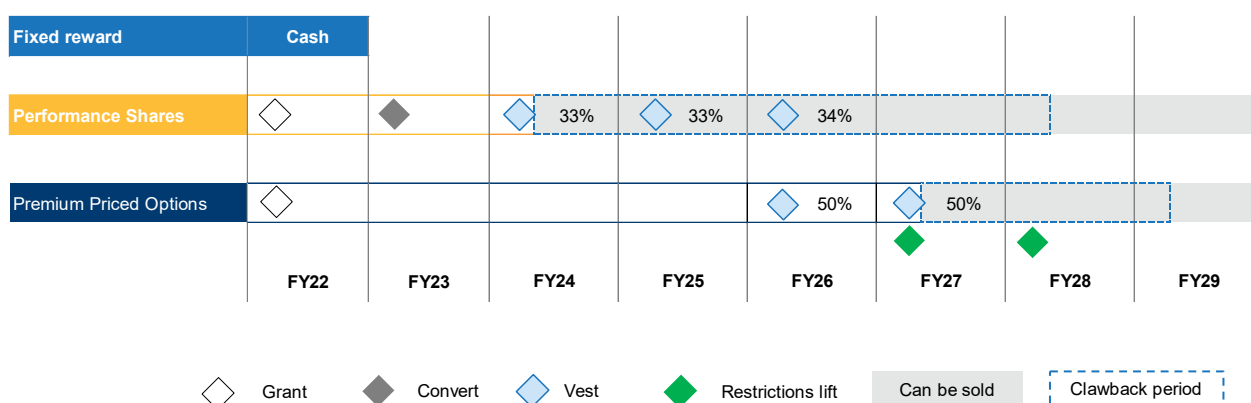
Performance Shares are delivered as rights that convert to restricted shares at the end of the performance period (e.g., around one year after grant) based on an assessment of performance against the Group scorecard, including specific consideration of risk and compliance standards and behaviours. Post-conversion, the restricted shares vest in equal tranches after one, two and three further years. In FY22, the Board determined that 75% of the MD&CEO’s Performance Shares would convert to restricted shares, and 90% for other Senior Executives.

Premium Priced Options

Premium Priced Options are options with an exercise price that is set at 120% of the VWAP 10 days after the AGM. They vest in two equal tranches after four and five years.

Each tranche of Premium Priced Options is subject to a holding lock and clawback period, as described in the Award Terms.

Figure 2. FY22 Senior Executive Remuneration Framework delivery and realisation timeframes



On the MD&CEO’s departure from BOQ in FY23, all his FY22 Performance Shares and Premium Priced Options were forfeited.

2.3.3 Short-term incentives.

STIs are offered to most Senior Managers below Group Executive level. They are performance-based and designed to reward an employee's contribution to the achievement of BOQ's strategic, customer, financial and risk outcomes and their behaviour, conduct and demonstration of BOQ's values over the performance period.

STI plans feature consistent eligibility criteria, gate-openers (including minimum performance and behaviour standards, completion of mandatory training, employee due diligence and 10 consecutive days' absence), are subject to provisions such as risk adjustment and deferral into restricted shares, and are offered at the ultimate discretion of the Board.

In FY22, eligible Senior Managers participated in the Group STI Plan. STIs were delivered in cash and/or equity, depending on whether the individual's award exceeded the Board-approved deferral threshold (as outlined in section 2.4.5).

2.3.4 Long-term incentives.

LTI awards are offered to Senior Managers who do not participate in the Senior Executive Remuneration Framework. They are designed to reward management decisions focused on long-term, sustainable performance and to align employee and shareholder interests, as well encourage the retention of employees.

Eligibility to participate in an LTI award is determined by role and grade. LTI awards are determined as a percentage of fixed remuneration and offers are generally made on an annual basis following the Annual General Meeting (**AGM**).

The Board has put in place a range of measures to control the risks associated with LTIs including, but not limited to:

- threshold compliance requirements: employees may not receive awards if they are found not to have complied with BOQ's risk and compliance standards;
- forfeiture events: the Board has discretion to require that awards outstanding as a result of past grants be forfeited in the case of non-adherence to risk and compliance standards; and
- performance conditions for Senior Executives: apply to protect shareholder interests by ensuring that awards do not vest unless BOQ's performance is at least equal to a threshold level determined by the Board.

During FY22, BOQ used Deferred Award Rights (**DARs**) to deliver LTI to Senior Managers below Group Executive level who were not invited to participate in the Senior Executive Remuneration Framework. DARs are rights to acquire ordinary BOQ shares at no cost, subject to continued service and adherence to risk and compliance standards, vesting progressively after one, two and three years. DARs serve to align the interests of employees with the interests of shareholders and act a retention measure.

FY22 DARs were granted in December 2021.

2.4 Aligning remuneration with risk management.

2.4.1 Assessment.

Risk forms a key part of the remuneration structure at BOQ and is embedded in the assessment of variable reward. Risk management practices are governed by an integrated framework of policies (including risk appetite statements and the Group Remuneration Policy).

In assessing performance, the Group Chief Risk Officer and Chair of the Board Risk Committee provide feedback to the Board concerning risk behaviours and outcomes during the financial year. A final full year assessment of risk was presented to the Committee by the Chair of the Risk Committee and the Group Chief Risk Officer, at the meeting where senior executive remuneration outcomes are considered.

Risk management is both a specific performance category for the MD&CEO and Group Executives, and a modifier used by the Board when determining STI funding and individual remuneration outcomes for all Senior Managers.

2.4.2 Short-term incentive funding.

STIs for Senior Managers are funded by the Group STI Pool, which is created at the ultimate discretion of the Board having regard for business performance, risk management and affordability. When determining the size of the Group STI Pool the Board considers BOQ's performance against the agreed performance measures; affordability and capacity to pay; an assessment of risk incidents, including as reported by the Chief Risk Officer and recommended to the Board by the Committee, with input from the Chair of the Board Risk Committee; and any other factors it considers relevant.

2.4.3 Risk measures.

Table 2 provides the key risks and measures for FY22. Risks and measures are updated periodically to ensure compliance with the legislative standards and alignment with BOQ's risk appetite. Activity and outcomes for each of the Risk categories are reported to the relevant Committee and the Board as well as the PCRC. These risks may be considered at Group, cohort or individual levels. For example, they are considered by the Board in relation to its assessment of overall Group performance as it determines the size of variable reward pools (cash and equity) that will be made available, by leaders as part of individuals' overall performance assessments (including eligibility for variable reward), and by the Board to determining the vesting (or otherwise) of equity.

Table 2. Key risk measures for FY22

Risk	Measures	Review of measures
Non-financial risks (operational risk and compliance risk)	<ul style="list-style-type: none"> Operational risk assessments Incident reporting and analysis Regulatory compliance breaches and impact assessments Branch scorecard performance and audits Internal and external audit findings Completion of mandatory compliance training Monitoring and supervision activities Monitoring conflicts of interest Attestations 	Measures across non-financial risks are produced, reviewed and monitored on either a monthly, quarterly, half-yearly and/or annual basis (as applicable).

- Monitoring regulatory change
- Sustainability scorecard
- Risk culture / “I feel safe to speak up”

Financial risks (credit risk and market risk)	Metrics embedded within KPIs include compliance with Board-delegated trigger limits for key credit, liquidity, funding, capital, and market and strategic financial risks.	Market risk, liquidity and funding composition are monitored daily. Other financial risks are monitored at least monthly. All financial risk measures are reviewed at least annually or as required.
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2.4.4 Risk management framework and expected behaviours.

Employees are expected to demonstrate behaviours that reflect the values and objectives of BOQ as approved by the Board, including adherence to BOQ’s overall RMF.

Variable reward plans (both cash and equity) include specific risk considerations that are designed to ensure that quantifiable results are achieved within appropriate risk management parameters. The RMF includes measures at BOQ and individual levels.

Performance measures for the MD&CEO are determined by the Board, and for Group Executives, there is Board oversight. The Board Risk Committee provides input to the performance measures for the Group Chief Risk Officer.

Failure to meet risk measures may result in modification, suspension or withdrawal of variable reward.

2.4.5 Deferral.

BOQ has in place a STI deferral framework which mandates the deferral of a portion of all STI outcomes subject to the thresholds approved by the Board. The annual threshold for the Group STI Plan is \$100,000. For awards greater than the threshold, a portion will be deferred into restricted shares to vest in two equal tranches (50% after one year and 50% after two years) as set out in Table 3.

Table 3. Deferral Framework for FY22

STI award	Deferral treatment
\$100,000 or less	Nil
\$200,000 or less	100% deferral of the amount between \$100,001 and \$200,000
Greater than \$200,000	100% deferral of the amount between \$100,001 and \$200,000, plus 50% deferral of any amount greater than \$200,000

2.4.6 In-period adjustment, malus and clawback.

Where a risk incident has occurred, the Board may, in its absolute discretion and acting in good faith:

- determine that all, or a portion of, any potential variable remuneration award be reduced, including to zero (in-period adjustment);
- determine that all, or a portion of any unvested award currently on foot be forfeited (malus); and/or
- treat any paid or vested reward as an overpayment and subject to any legal limitations, seek to recover the difference for the benefit of BOQ through any action it deems necessary and appropriate (clawback).

3 Quantitative disclosures.

The tables in this section have been prepared in accordance with the quantitative disclosure requirements outlined in Table 22 of APS 330, Attachment G.

Table 4. People, Culture & Remuneration Committee

This table summarises the requirements under paragraph (g), providing a breakdown of the Committee membership, meetings held, and total fees paid during FY22.

All Non-Executive Directors (**NEDs**) are members of five Board committees, including the People, Culture & Remuneration Committee. To reflect the revised committee composition and to provide fairness and simplicity, BOQ moved to a flat fee structure, inclusive of superannuation, for membership of all five Board committees. The fees disclosed in this table are an estimate of the amount relating to the People, Culture & Remuneration Committee.

Membership, meetings held and fees paid

FY22

Committee members ¹	8
Meetings held	6
Total fees (including Committee members and Chair) ²	\$136,097

¹ Inclusive of the Committee Chair, the Board Chair and members who served for part of the year.

² Fees are an estimate derived by apportioning the total Committee members' fee paid. The approach taken was to divide each Committee member's fee (inclusive of superannuation) by the total number of meetings across the five committees to determine a per meeting fee for each member. That per meeting fee was then multiplied by the number of People, Culture & Remuneration Committee meetings that member attended. This total was then added to the Committee Chair's fee (inclusive of superannuation).

Table 5. Remuneration awarded to Senior Managers in FY22

This table summarises the requirements under paragraph (h), providing a breakdown of the various payments made to Senior Managers¹ during FY22. As noted in the introduction, at BOQ all MRT are included in the Senior Manager category and therefore not disclosed separately.

FY22

Number of Senior Managers who received variable remuneration	21
Number of guaranteed bonuses awarded	0
Value of guaranteed bonuses awarded	\$0
Number of sign-on awards	3
Value of sign-on awards	\$1,145,000
Number of termination payments	3
Value of termination payments	\$857,167

¹ Per paragraph 57(a) of CPS 510, noting that there are no employees outside of the Senior Manager group who are considered MRT.

Table 6. Outstanding deferred remuneration for Senior Managers

This table provides a summary of outstanding deferred cash and equity-based remuneration for Senior Managers during FY22, including the total value of outstanding awards, awards that vested during FY22 and any reductions due to ex-post explicit and implicit adjustments. It summarises the requirements under paragraphs (i) and (k).

FY22

Number of incumbents (including part-year) ¹	21
Cash based awards	\$0
Shares and share-linked instruments ²	\$15,261,589
Total outstanding deferred remuneration	\$15,261,589
Total outstanding remuneration vesting during the financial year ³	\$1,321,064
Total amount of reductions during the financial year due to explicit adjustments ⁴	\$2,041,533
Total amount of reductions during the financial year due to implicit adjustments ⁵	\$0

¹ Per paragraph 57(a) of CPS 510, noting that there are no employees outside of the Senior Manager group who are considered MRT.

² Shares and share-linked instruments are expressed as face value, using the closing share price at 31 August 2022. Options are expressed as the difference between the closing share price at 31 August 2022 and the exercise price.

³ Includes FY20 deferred STI which was deferred as cash which vested in FY22. Shares and share-linked instruments are expressed as face value, using the closing share price at 31 August 2022. Options are expressed as the difference between the closing share price at 31 August 2022 and the exercise price.

⁴ Includes reductions to awards which vested in FY22 due to downward adjustments to outcomes and forfeitures due to non-vesting or employees exiting.

⁵ Includes reductions to awards which vested in FY22 due to revaluation of awards.

Table 7. Breakdown of the remuneration awarded to Senior Managers

This table summarises the requirements under paragraph (j) and provides a breakdown of the value of fixed and variable remuneration awarded to Senior Managers¹ during FY22.

FY22

Number of incumbents (including part-year)	21
Fixed remuneration (non-deferred)	
Cash based ²	\$10,622,511
Shares and share-linked instruments	\$0
Other ³	\$962,265
Variable remuneration	
Cash-based (non-deferred) ⁴	\$275,450
Cash based (deferred)	\$0
Share-linked instruments (deferred) ^{5 6}	\$12,461,483
Other	\$0

¹ Per paragraph 57(a) of CPS 510, noting that there are no employees outside of the Senior Manager group who are considered MRT.

² Represents actual fixed remuneration received, including employer superannuation, any salary sacrificed benefits and car parking costs (including associated fringe benefits tax).

³ This includes annual leave and long service leave accruals and accommodation allowances.

⁴ Cash incentives earned in respect of FY22.

⁵ FY22 represents Performance Shares, Premium Priced Options, Deferred Award Rights, CEO & Chair Award Rights and Restricted Shares awarded in respect of any deferred FY22 STI. Shares and share-linked instruments are expressed as face value at the time of the grant awarded.