



BASEL III PILLAR 3 (APS 330) REMUNERATION DISCLOSURES

Period ended 31 August 2021

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 (**BOQ**) for the financial year ended 31 August 2021 (**FY21**).

This prudential disclosure is separate from the FY21 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**) and all Group Executives;
- other Accountable Persons (**AP**) under the Banking Executive Accountability Regime (**BEAR**), excluding Non-executive Directors; and
- other Responsible Persons (**RP**) 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 FY21 there were 30 employees in this group, including 15 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 are no MRT who are not also Senior Managers. 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 (the **Group**) and effectively discharge its responsibilities to oversee the remuneration policies and practices of the Group.

The Committee:

- serves as the remuneration committee for BOQ and its APRA-regulated subsidiaries, which have delegated their remuneration committee function to the Committee;
- ordinarily meets a minimum of four times per year, and during FY21 met six times;
- comprised of seven Non-executive Directors at any one time during FY21, four of whom served for part of the year. As of 1 September 2020, all Non-executive Directors are members of the Committee;
- 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 the 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 FY21, 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, with the exception of ME Bank employees. After the acquisition of ME Bank on 1 July 2021, the ME Bank Remuneration Policy continued to apply to ME Bank employees up until the BOQ Group Remuneration Policy was reviewed and updated in August 2021. From 30th August 2021, the BOQ Group Remuneration Policy applies 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 Chief Risk Officer.

2.2. REMUNERATION FRAMEWORK

2.2.1. Remuneration framework

Remuneration at BOQ 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 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 FY21:

- 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 FY21 Group scorecard measures are provided in Table 1.

Table 1. FY21 Group scorecard measures

Strategic priority	Weighting	Measures
Our empathetic culture sets us apart	10%	Delighting our customers - Net Promoter Score Engagement score, culture score, <i>I feel safe to speak up</i> score Women in leadership and senior women in leadership
Distinctive brands serving attractive niche customer segments	10%	System growth in mortgages and business lending
Digital bank of the future with a personal touch	10%	Delivery of Virgin Money Australia and BOQ Retail Digital Banks
Simple and intuitive business, with strong execution capability	10%	Productivity benefits, containing expense growth Product simplification and improved efficiency and customer experience Project delivery and execution
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 Strong return on equity Organic capital growth

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 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.

Fixed reward is paid in cash.

2.3.2. Senior Executive Remuneration Framework

In FY21 BOQ introduced a new Senior Executive Remuneration Framework, which 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 is required for the MD&CEO's grants of Performance Shares and Premium Priced Options.

Performance Shares

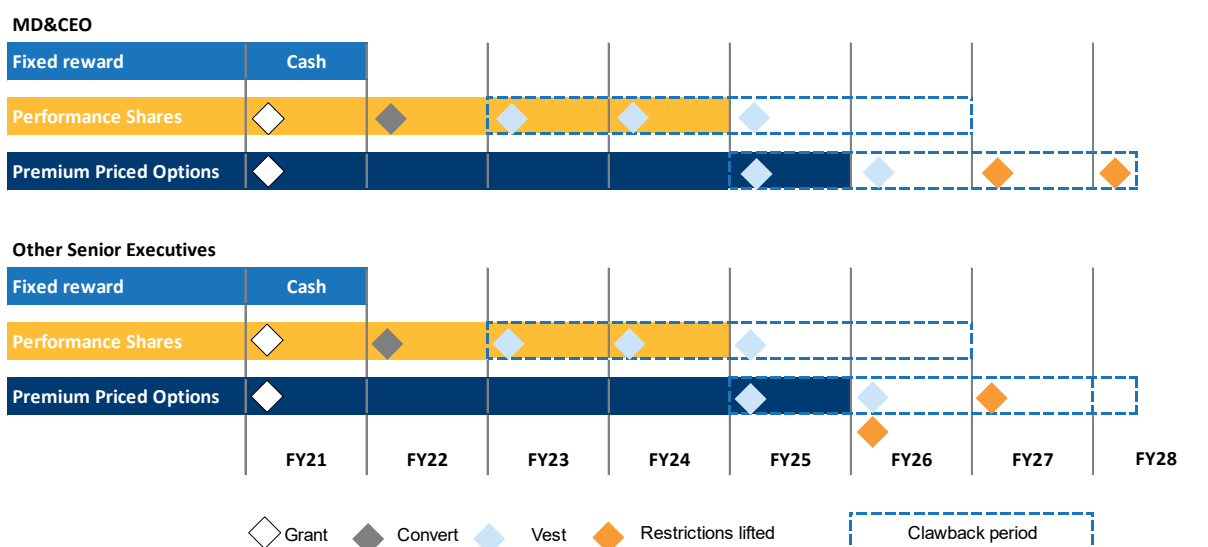
Performance Shares are delivered as rights that convert to restricted shares at the end of the performance period (e.g., one year after grant) based on an assessment of performance against the Group scorecard, including specific consideration of risk and compliance standards and behaviours. Post-conversion, the restricted shares vest in equal tranches after one, two and three further years. In FY21, the Board determined that 100% of Performance Shares would convert for continuing Senior Executives.

Premium Priced Options

Premium Priced Options are options with an exercise price that is set at 120% of the share price at grant. 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. Senior Executive Remuneration Framework delivery and realisation timeframes



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 and completion of mandatory training), are subject to provisions such as risk adjustment and deferral into restricted shares, and are offered at the ultimate discretion of the Board.

In FY21, 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

LTIs 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: 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 FY21, 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.

FY21 DARs were granted in January 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 Chief Risk Officer and Chair – Risk Committee provide feedback to the Board concerning risk behaviours and outcomes during the financial year. A final full year assessment of risk is presented to the Committee by Chair –Risk Committee and the 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 FY21. Risks and measures 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.

Table 2. Key risk measures for FY21

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 • Monitoring regulatory change • Sustainability scorecard 	Measures across non-financial risks are produced, reviewed and monitored on either a monthly, quarterly, half-yearly and/or annual basis (as applicable)
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	<p>Market risk, liquidity and funding composition are monitored daily.</p> <p>Other financial risks are monitored at least monthly.</p> <p>All financial risk measures are reviewed at least annually or as required.</p>

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 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 is currently \$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 FY21

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 FY21.

On 1 September 2020, all Non-Executive Directors (**NEDs**) became 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 at this time. The FY21 fees disclosed in this table are an estimate of the amount relating to the People, Culture & Remuneration Committee.

Membership, meetings held and fees paid	FY21	FY20
Committee members ¹	8	7
Meetings held	6	8
Total fees (including Committee members and Chair) ²	\$136,667	\$105,228

¹ Inclusive of the Committee Chair, the Board Chair and members who served for part of the year
² FY21 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). FY20 fees disclosed are the fees paid specifically for this Committee and are inclusive of superannuation. The Board Chair does not receive a fee for his membership of the Committee.

Table 5. Remuneration awarded to Senior Managers

This table summarises the requirements under paragraph (h), providing a breakdown of the various payments made to Senior Managers¹ during FY21. As noted in the introduction, at BOQ all MRT are included in the Senior Manager category and therefore not disclosed separately.

	FY21	FY20
Number of Senior Managers who received variable remuneration	25	23
Number of guaranteed bonuses awarded	0	0
Value of guaranteed bonuses awarded	\$0	\$0
Number of sign-on awards ²	1	0
Value of sign-on awards	\$250,000	\$0
Number of termination payments	3	5
Value of termination payments	\$571,074	\$1,280,750

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 the number of buy-out awards (where BOQ, having sighted evidence of awards being forfeited by Senior Managers upon resignation from their prior employer, bought out the value of the forfeited awards). These were delivered using BOQ equity with vesting aligned to the original award vesting schedule.

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 FY21, including the total value of outstanding awards, awards that vested during FY21 and any reductions due to ex post explicit and implicit adjustments. It summarises the requirements under paragraphs (i) and (k).

	FY21	FY20
Number of incumbents (including part-year) ¹	30	30
Outstanding deferred remuneration		
Cash based awards	\$0	\$0
Shares and share-linked instruments ²	\$18,299,840	\$7,745,758
Total outstanding deferred remuneration	\$18,299,840	\$7,745,758
Total outstanding remuneration vesting during the financial year ³	\$1,305,790	\$866,850
Total amount of reductions during the financial year due to explicit adjustments ⁴	\$2,887,485	\$4,032,063
Total amount of reductions during the financial year due to implicit adjustments ⁵	\$0	\$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 2021 and 31 August 2020 for FY21 and FY20 respectively. Options are expressed as the difference between the closing share price at 31 August 2021 and the exercise price.

³ Includes FY18 deferred STI which was deferred as cash which vested in FY21. Shares and share-linked instruments are expressed as face value, using the closing share price at 31 August 2021 and 31 August 2020 for FY21 and FY20 respectively. Options are expressed as the difference between the closing share price at 31 August 2021 and the exercise price.

⁴ Includes reductions to awards which vested in FY21 or FY20 due to downward adjustments to outcomes and forfeitures due to non-vesting or employees exiting

⁵ Includes reductions to awards which vested in FY21 or FY20 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 FY21.

	FY21	FY20
Number of incumbents (including part-year)	30	30
Fixed remuneration (non-deferred)		
Cash based ²	\$12,781,569	\$11,465,270
Shares and share-linked instruments	\$0	\$0
Other ³	\$936,183	\$919,900
Variable remuneration		
Cash-based (non-deferred) ⁴	\$911,493	\$1,014,120
Cash based (deferred)	\$0	\$0
Share-linked instruments (deferred) ^{5 6}	\$10,423,580	\$10,826,040
Other	\$0	\$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 rental allowances

⁴ Cash incentives earned in respect of FY21 and FY20

- ⁵ FY21 represents Performance Shares, Premium Priced Options, Deferred Award Rights as well as Restricted Shares awarded in respect of any deferred FY21 STI. Shares and share-linked instruments are expressed as face value at the time of the grant awarded.
- ⁶ FY20 represents LTI awards granted during FY20 which includes Deferred Award Rights (DARs), Performance Award Rights (PARs) and Transformation Awards (BTAs & VTAs) as well as Restricted Shares awarded in respect of FY20 STI. Shares and share-linked instruments are expressed as face value at the time of the grant awarded.