

# 2020 NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting (**Meeting**) of Bank of Queensland Limited ACN 009 656 740 (**BOQ** or **Company**) will be held on Tuesday, 8 December 2020 at 10.00am (AEST) as a virtual meeting online at <https://agmlive.link/BOQAGM20>. Online registration will commence at 9:15am (AEST).

# BUSINESS

## 1. Financial Statements and Reports

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the year ended 31 August 2020.

**Note:** There is no requirement for shareholders to approve these reports. Accordingly, there is no vote on this item.

## 2. Re-election of Director

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*That Mr Bruce Carter, who retires by rotation in accordance with the Company's Constitution and, being eligible, be re-elected as a Director of the Company.*

## 3. Grant of Securities to the Managing Director and Chief Executive Officer

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of Performance Shares and Premium Priced Options to the Managing Director & Chief Executive Officer, Mr George Frazis, as his total variable remuneration opportunity for FY21 on the terms described in Item 3 of the Explanatory Statement.*

**Note:** This resolution is subject to voting exclusions as set out at the end of this Notice of Meeting.

## 4. Amendment of the Constitution of the Company

To consider and, if thought fit, to pass the following resolution as a **special** resolution:

*That, in accordance with section 136(2) of the Corporations Act, the Company's Constitution be amended as set out in Item 4 of the Explanatory Statement with effect from the close of the Meeting.*

## 5. Remuneration Report

To consider and, if thought fit, to pass the following as a non-binding **ordinary** resolution:

*That the Company's Remuneration Report for the financial year ended 31 August 2020, be adopted.*

**Note:** In accordance with section 250R of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company.

**Note:** This resolution is subject to voting exclusions as set out at the end of this Notice of Meeting.

DATED 5 November 2020

BY ORDER OF THE BOARD

**Fiona Daly**

Company Secretary

## LODGEMENT OF PROXIES

Shareholders unable to attend the Meeting are encouraged to register their appointment of proxy by no later than 10.00am (AEST) on Sunday, 6 December 2020. Shareholders may register their appointment of proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by:

- requesting a proxy form from the Company's Share Registry by calling 1800 779 639 8.30am to 7.30pm (AEST) Monday to Friday (excluding public holidays); or
- downloading an interactive proxy form from the Company's website <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>, and returning the completed form in the manner noted under "Proxies" below or on the form.

The Explanatory Statement (including each annexure to it) set out on pages 9 to 27 accompanies and forms part of this Notice of Meeting and provides more information on each of the items of business.

### IMPORTANT VOTING INFORMATION

## VOTING RIGHTS

Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) and ASX Settlement Operating Rule 5.6.1, for the purposes of the Meeting, you will be eligible to attend and vote at the Meeting if you are registered as a shareholder of the Company at 7.00pm (Sydney Time) on Sunday, 6 December 2020.

## PARTICIPATION AT THE MEETING

The virtual Meeting will be held at 10.00am (AEST) on Tuesday, 8 December 2020.

Shareholders, proxies and corporate representatives may participate in the Meeting online from their computers, smartphone or tablet by entering the following URL into their browser:

<https://agmlive.link/BOQAGM20>. The latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox is required.

Detailed instructions on how to log in to, vote and ask questions during the meeting are set out in the Company's Online Meeting Guide which is available on the Company's website <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>.

We recommend logging in to the virtual platform for the Meeting at least 15 minutes prior to the scheduled start time for the Meeting. Online registration for the Meeting will open 45 minutes before the start of the Meeting.

## CONDUCT OF THE MEETING

The Company is committed to ensuring that its shareholder meetings are conducted in a manner which provides those shareholders (or their proxy holders or representatives) who are present at the meeting with the opportunity to participate in the business of the meeting and to ask questions about matters relevant to the business of the meeting or the Company generally. The Chair of the Meeting will exercise his or her powers as the Chair to ensure that the Meeting is conducted in an orderly and timely fashion, in the interests of all attending shareholders.

As this Meeting is a virtual meeting, technical issues may arise. In that event, the Company will have regard to the impact of the technical issue on the ability of shareholders as a whole to participate and the Chair of the Meeting may, in exercising his or her powers as the Chair, issue any instructions for resolving the issue and may continue the Meeting if it is appropriate to do so.

## VOTING RESTRICTIONS

### ITEM 3 - GRANT OF SECURITIES TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

BOQ will disregard any votes cast on this resolution:

- in favour of the resolution by, or on behalf of, Mr George Frazis or any of his associates (regardless of the capacity in which the vote is cast); and
- as proxy by a person who is a member of the KMP on the date of the Meeting and their closely related parties.

However, BOQ need not disregard a vote if it is cast as proxy for a person entitled to vote:

- in accordance with the directions on the proxy form;
- by the Chair of the Meeting, in accordance with an express authorisation in the proxy form to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## ITEM 5 – REMUNERATION REPORT

A vote on this resolution must not be cast, and BOQ will disregard any votes cast, on this resolution:

- by or on behalf of a member of the KMP, details of whose remuneration is included in the Remuneration Report for the year ended 31 August 2020, and that KMP's closely related parties (regardless of the capacity in which the vote is cast); and
- as a proxy by a member of the KMP on the date of the Meeting and that KMP's closely related parties.

However, BOQ need not disregard a vote if it is cast as proxy for a person entitled to vote:

- in accordance with the directions on the proxy form; or
- by the Chair of the Meeting, in accordance with an express authorisation in the proxy form to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of the KMP.

For the purposes of these voting restrictions:

- 1. KMP** means the key management personnel of BOQ, being the Directors of BOQ (including the Chairman) and other employees having authority and responsibility for planning, directing and controlling the activities of BOQ, directly or indirectly. The Remuneration Report identifies BOQ's key management personnel for the financial year ended 31 August 2020.
- 2. Closely related party** has the meaning given in the *Corporations Act 2001* (Cth) and when used in relation to a member of the KMP will include a spouse, dependent and certain other close family members as well as any other companies controlled by the member of the KMP.
- 3. Associate** has the meaning given in the ASX Listing Rules and when used in relation to the Managing Director and Chief Executive Officer will include a spouse, parents, children, as well as any companies controlled by any of them, unless the contrary is established.

## VOTING USING THE VIRTUAL MEETING PLATFORM

To log in to, and submit votes and questions in real time during, the Meeting, shareholders will need their Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**). Proxy holders will need their proxy code which Link Market Services will provide via email on the day before the AGM.

Voting will be open until the Chair of the Meeting closes the Meeting, upon which shareholders will have an additional 5 minutes to finalise and submit their votes.

More information about the online participation at the Meeting (including how to cast your votes and ask questions in real time during the Meeting) is set out in the Company's Online Meeting Guide which is available on the Company's website <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>.

## PROXIES

1. A shareholder who is entitled to attend and vote at the Meeting may appoint:
  - (a) one proxy if the shareholder is only entitled to one vote; or
  - (b) one or two proxies if the shareholder is entitled to more than one vote.
2. Where the shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a shareholder of BOQ.
4. Shareholders may register the appointment of proxies online at: **[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)**, by no later than 10.00am (AEST) on Sunday, 6 December 2020.
5. Alternatively, shareholders may request a proxy form from the Company's Share Registry by calling 1800 779 639 8.30am to 7.30pm (AEST) Monday to Friday (excluding public holidays) or download an interactive proxy form from the Company's website **<https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>**, and return the completed form via the methods noted below or on the form.
6. If you have requested and/or wish to lodge a completed proxy form with the Company's Share Registry, the form and any power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company's Share Registry by no later than 10.00am (AEST) on Sunday, 6 December 2020:
  - (a) by post to:  
Bank of Queensland Limited  
C/- Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235; or
  - (b) by delivery to:  
Bank of Queensland Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
RHODES NSW 2138  
or  
Level 12, 680 George Street  
Sydney NSW 2000; or
  - (c) by fax on (02) 9287 0309 (international +61 2 9287 0309); or
  - (d) online at **[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)**.

## ATTORNEYS

If a shareholder has appointed an attorney to attend and vote at the Meeting, or if the proxy form is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be provided to the Company's Share Registry, Link Market Services Limited, in the manner and by the same time, as specified for proxy appointments (above), unless the power of attorney has been previously lodged with the Company's Share Registry.

## CORPORATE REPRESENTATIVES

If a corporate shareholder wishes to appoint a person to act as its representative at the Meeting, that person should be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company.

A form of appointment of corporate representative may be obtained from the Company's Share Registry by calling 1800 779 639 8.30am to 7.30pm (AEST) Monday to Friday (excluding public holidays).

To be effective, evidence of the appointment of a corporate representative must be returned in the same manner and by the same time, as specified for proxy appointments (above).

### DIRECTING YOUR PROXY VOTE

If you wish to direct your proxy how to vote on any resolution, you can mark the "For", "Against" or "Abstain" box online or in Step 2 on the proxy form accordingly.

### PROXY VOTING BY CHAIR OF THE MEETING

If you appoint the Chair of the Meeting as your proxy or the Chair of the Meeting is appointed as your proxy by default and you do not specify how the Chair of the Meeting is to vote on a resolution, by completing and submitting the proxy form, you expressly authorise the Chair of the Meeting to vote your proxy as he sees fit.

The Chair of the Meeting intends, as at the date of this Notice of Meeting, to vote **IN FAVOUR** of each of the resolutions set out in this Notice of Meeting.

## POLL

In accordance with the *Corporations (Coronavirus Economic Response) Determination (No. 3) 2020*, voting on all resolutions will be determined by a poll at the Meeting.

The virtual platform for the Meeting will facilitate online voting in real time at the Meeting.

Shareholders not attending the Meeting are encouraged to register their vote online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by no later than 10.00am (AEST) on Sunday, 6 December 2020. Alternatively, shareholders may request a proxy form from the Company's Share Registry by calling 1800 779 639 8.30am to 7.30pm (AEST) Monday to Friday (excluding public holidays) or by downloading an interactive proxy form from the Company's website <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>, and return the completed form in the manner noted under "Proxies" above or on the form by no later than 10.00am (AEST) on Sunday, 6 December 2020.

The results of the voting on resolutions requiring a shareholder vote at the Meeting will be announced to the ASX promptly after the Meeting.

## QUESTIONS

Shareholders are encouraged to submit questions in advance of the Meeting. Questions may be submitted to the Chairman or the Auditor by submitting a question online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Questions submitted this way must be received by no later than 5.00pm (AEST) on Tuesday, 1 December 2020 to allow time to collate questions and prepare answers.

More frequently asked questions will be attempted to be addressed in the Chair's address and the Managing Director and CEO's address at the Meeting.

Shareholders will also be provided with a reasonable opportunity to ask questions about, or make comments on, the business of the Meeting, the management of the Company or about the Company generally in real time via the virtual platform for the Meeting. It may not be possible to respond to all questions during the Meeting.

More information about online participation at the Meeting (including how to ask questions in real time during the Meeting) is set out in the Company's Online Meeting Guide which is available on the Company's website <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>.



## **INTRODUCTION**

### **EXPLANATORY STATEMENT**

The following Explanatory Statement has been provided to shareholders to inform them about the business of the Meeting and each of the resolutions proposed in the Notice of Meeting.

The purpose of these notes is to provide shareholders with information they reasonably require to decide how to vote on each resolution. The Board recommends that shareholders read these notes before determining whether or not to support a resolution.

## **ITEM 1 - FINANCIAL STATEMENTS AND REPORTS**

The Corporations Act requires the Financial Report (which includes the Financial Statements and Notes and Directors' Declaration), the Directors' Report and the independent Auditor's Report to be presented before the Meeting.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these reports and on the business, operations and management of BOQ. There will be no formal resolution put to the Meeting on this item of business.

The Company's auditor will be present at the Meeting to answer audit-related questions from shareholders. Shareholders may also submit written questions to the Company's auditor on the content of the Auditor's Report or the conduct of its audit of the Company's Financial Report for the year ended 31 August 2020. Such questions must be received by no later than 5.00pm (AEST) on Tuesday, 1 December 2020. The auditor is not obliged to provide written answers.

## ITEM 2 - RE-ELECTION OF DIRECTOR

The board of directors of the Company (**Board**) is, at the date of this Notice of Meeting, comprised of 7 Non-Executive Directors and one Executive Director (being, the Managing Director and CEO).

The Board regularly reviews its composition to ensure there is an appropriate range of skills, and an appropriate mix of business talents, outlooks, backgrounds and diversity that enhance the breadth of operation of the Company's business and its future strategy. To assist in identifying the areas of focus and continue to maintain an appropriate mix of relevant skills in the Board's membership, a Board skills matrix is used which addresses factors such as gender, professional experience and qualifications, in order to promote a diverse range of skills and experience.

The BOQ Nomination & Governance Committee monitors the skills and experience of existing Directors and ensures that new Board appointees enhance the skill diversity of the Board.

All Directors have extensive business experience in their chosen fields of endeavour, and in business generally and these skills are relevant to the business conducted by the Company.

There is a resolution proposed for the re-election of one Director to the Board.

Background information on the Director seeking re-election is provided below.

### **Mr Bruce Carter**

Mr Carter has served on the Board since February 2014.

He is Chair of the Risk Committee and a member of the Audit, Information Technology, Investment, Nomination & Governance, and People, Culture & Remuneration Committees.

Mr Carter was a founding Managing Partner of Ferrier Hodgson South Australia, a corporate advisory and restructuring business, and has worked across a number of industries and sectors in the public and private sectors. He has been involved with a number of state government-appointed restructures and reviews including chairing a task force to oversee the government's involvement in major resource and mining infrastructure projects. Mr Carter had a central role in a number of key government economic papers including the Economic Statement on South Australian Prospects for Growth, the Sustainable Budget Commission, and the Prime Minister's 2012 GST Distribution Review.

Mr Carter has worked with all the major financial institutions in Australia. Before Ferrier Hodgson, Mr Carter was at Ernst & Young for 14 years including four years as Partner in Adelaide. During his time at Ernst & Young, he worked across the London, Hong Kong, Toronto and New York offices. Mr Carter is the Chair of Australian Submarine Corporation and Aventus Capital Limited, Deputy Chair of SkyCity Entertainment Group Limited and a Non-Executive Director of Eudunda Farmers Ltd, AIG Australia Limited and Sage Group Holdings Ltd.

Mr Carter has been assessed under the BOQ Fit & Proper Policy which requires an assessment of the fitness and propriety of all new and existing directors to hold office against BOQ's documented criteria of competencies required for the office. As part of this assessment, Mr Carter has confirmed to BOQ that he will be able to dedicate sufficient time to fulfil his responsibilities as a Non-Executive Director.

In accordance with BOQ's Policy on Independence of Directors, the Board has determined that Mr Carter remains independent and he is able to exercise independent judgement to provide an objective assessment of matters considered by the Board.

Mr Carter was last elected as a Non-Executive Director of the Company in November 2017. He retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

### **Recommendation**

*The Board (with Mr Carter abstaining) recommends that shareholders vote in favour of Mr Carter's re-election as a Non-Executive Director of the Company.*

## **ITEM 3 - GRANT OF SECURITIES TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

The Board is seeking shareholder approval to grant Mr George Frazis, the Managing Director & Chief Executive Officer of the Company (**MD&CEO**) under the Equity Incentive Plan (**EIP**), up to \$1,140,000 delivered in Performance Shares and up to \$760,000 delivered in Premium Priced Options, being Mr Frazis' total variable remuneration opportunity in respect of the financial year ending 31 August 2021.

The actual number of securities awarded will be based on the volume weighted average price (**VWAP**) of BOQ shares over the 5 trading days immediately following the Meeting and will be subject to performance or vesting conditions, in each case as described below.

Mr Frazis will be entitled to receive one fully-paid ordinary BOQ share (**share**) for each Performance Share or Premium Priced Option that vests (and in the case of a Premium Price Option, if the Premium Price Option is exercised and the exercise price paid).

Under ASX Listing Rule 10.14, an entity must not permit a director of the entity to acquire shares or rights to shares under an employee incentive scheme without the approval of shareholders. While it is not currently intended that shares will be issued to the MD&CEO to satisfy any vested Performance Shares or Premium Priced Options, shareholder approval is being sought to provide the flexibility for the Company to issue shares should that be desirable at the relevant time.

Information regarding the Performance Shares and Premium Price Options award is set out below. Annexure A contains further details and other information required by the ASX Listing Rules.

The grants to the MD&CEO under this Item 3 are part of the Company's new FY21 Remuneration Framework and variable reward structure described in more detail in Annexure B.

## Performance Shares

Performance Shares are 'rights' to receive shares for the purposes of the EIP and for each 'right' that is converted at the end of the 12 month performance period described below, Mr Frazis will generally receive one share that is subject to dealing restrictions for a further period (restricted share).

### *Number of Performance Shares awarded*

The Board will determine the number of Performance Shares allocated to Mr Frazis by dividing his total opportunity of \$1,140,000 by the VWAP of shares over the 5 trading days immediately following the Meeting. For example, if the VWAP is \$6, Mr Frazis would receive 190,000 Performance Shares.

### Number of Performance Shares

	Example 1	Example 2	Example 3
VWAP	\$6.00	\$6.50	\$7.00
Performance Shares	190,000	175,385	162,857

### *Performance period and performance conditions*

Performance Shares are eligible to convert into restricted shares by no earlier than December 2021, based on an assessment by the Board of performance against the Group Scorecard over the performance period 1 September 2020 – 31 August 2021.

The FY21 Group Scorecard is weighted 50% to financial measures and 50% to non-financial measures. The Board will determine in its absolute discretion if all or some of the Performance Shares convert into restricted shares or lapse based on performance against the Group Scorecard and any other relevant matters. The Board will also consider Mr Frazis' ongoing satisfactory performance and compliance with the terms of his employment agreement and Group policies, as well as conduct, risk behaviours and outcomes before the conversion or vesting the Performance Shares.

If the Board determines that the performance and any other conditions have been satisfied, then all Performance Shares will be converted to restricted shares. There is no retesting of the Performance Shares.

Each restricted share allocated to Mr Frazis will be subject to dealing restrictions as described below.

***Restriction periods***

The restricted shares will be subject to dealing restrictions and will vest and become unrestricted in three tranches as follows:

- 33% vests 12 months after allocation of restricted shares (i.e. in December 2022)
- 33% vests 24 months after allocation of restricted shares (i.e. in December 2023)
- 34% vests 36 months after allocation of restricted shares (i.e. in December 2024)

At the end of each restriction period the Board may determine in its absolute discretion that all or some of the restricted shares do not vest and, in making this assessment, will consider Mr Frazis' ongoing satisfactory performance and compliance with the terms of his employment agreement and Group policies, as well as conduct, risk behaviours and outcomes.

Mr Frazis will be free to deal with his shares after the end of the relevant restriction period, subject to BOQ's Securities Trading Policy.

***Dividend and voting rights***

The Performance Shares do not carry any dividend or voting rights before converting into restricted shares. Restricted shares allocated on conversion of Performance Shares carry dividend and voting rights from allocation.

### Cessation of employment

If Mr Frazis ceases employment his Performance Shares and restricted shares will be treated as set out below, unless the Board determines otherwise. Any Performance Share restricted shares that remain on foot will be subject to the original offer terms (including dealing restrictions and malus) during the 2, 3 and 4 year restriction periods and an additional 2 year clawback period after each restriction period as described in Appendix A).

<b>Reason for ceasing employment</b>	<b>Performance Shares (i.e. during one year performance period)</b>	<b>Restricted shares allocated on conversion of Performance Shares</b>
Summarily dismissed	Lapse	Forfeited
Resign	Lapse	Remain on foot <sup>(1)</sup> or Forfeited <sup>(2)</sup>
Leave to work with a competitor or is employed by a competitor of BOQ within 6 months of ceasing	Lapse	Forfeited
In all other cases (e.g. redundancy, retirement, mutually agreed separation)	Pro-rata allocation	Remain on foot

(1) Provided at least three years of service has been completed

(2) If less than three years of service has been completed

### Premium Priced Options

Premium Priced Options will vest subject to satisfaction of the vesting conditions outlined below over two different vesting periods. For each Premium Priced Option that vests and is exercised, Mr Frazis will receive one restricted share upon payment of the exercise price. Restricted shares allocated on exercise and payment of the exercise price will be subject to dealing restrictions for a further period.

### **Number of Premium Priced Options awarded**

The Board will determine the number of Premium Priced Options allocated to Mr Frazis by dividing his opportunity of \$760,000 by the fair value of a Premium Priced Option. The fair value of Premium Priced Options will be determined by the Board based on the VWAP of shares over the period of 5 trading days immediately after the Meeting and an option price of 6% of the BOQ VWAP. For example, if the VWAP is \$6 and the Premium Priced Option fair value is 6% of the VWAP, Mr Frazis would receive 2,111,111 Premium Priced Options.

### **Number of Premium Priced Options**

	<b>Example 1</b>	<b>Example 2</b>	<b>Example 3</b>
VWAP	\$6.00	\$6.50	\$7.00
Exercise Price	\$7.20	\$7.80	\$8.40
Option value	\$0.36	\$0.39	\$0.42
Premium Priced Options	2,111,111	1,948,718	1,809,524

### **Exercise price**

The exercise price for each Premium Priced Options will be 120% of the VWAP of shares on the 5 trading days immediately after the Meeting. For example, if the VWAP is \$6, the exercise price would be \$7.20.

This means the Premium Priced Options will only be valuable to Mr Frazis if the Company's share price increases by more than 20% over the relevant vesting period described below (i.e. four or five years). This aligns Mr Frazis' remuneration with long-term value creation for shareholders.

### **Vesting conditions and vesting period**

Premium Priced Options will be eligible to vest according to the following schedule:

- 50% will be eligible to vest four years after the grant of the options (ie in December 2024)
- 50% will be eligible to vest five years after the grant of the options (ie in December 2025)

At the time of vesting, the Board may determine in its absolute discretion that all or some of the Premium Priced Options do not vest and in making this assessment will consider Mr Frazis' ongoing satisfactory performance and compliance with the terms of his employment agreement and Group policies, as well as conduct, risk behaviours and outcomes.

Vested Premium Priced Options may be exercised until the applicable Expiry Date, which are the 6th anniversary (50%) and 7th anniversary (50%) of the Premium Priced Option grant date (ie in December 2026 and December 2027). Any Premium Priced Options that are not exercised by this date will automatically lapse.

### **Restriction period**

Premium Priced Options (vested or unvested) may not be dealt with at any time.

Mr Frazis' vested Premium Priced Options and, if he exercises his vested Premium Priced Options, any restricted shares allocated to him, will be subject to dealing restrictions for two years from the date of vesting (i.e. until December 2026 and 2027, as applicable).

Mr Frazis will be free to deal with his shares after the end of the applicable restriction period, subject to BOQ's Securities Trading Policy.

### **Dividend and voting rights**

Premium Priced Options do not carry any dividend or voting rights. Shares allocated on vesting and exercise of Premium Priced Options carry dividend and voting rights from allocation.

### **Cessation of employment**

If Mr Frazis ceases employment his Premium Priced Options and restricted shares will be treated as set out below, unless the Board determines otherwise. Any unvested Premium Priced Options that remain on foot will vest in the usual course (subject to satisfaction of the applicable vesting conditions) and all Premium Priced Options and restricted shares that remain on foot will be subject to their original offer terms (including dealing restrictions).

<b>Reason for ceasing employment</b>	<b>Unvested Premium Priced Options</b>	<b>Vested Premium Priced Options</b>	<b>Restricted shares (from exercise of vested Premium Priced Options)</b>
Summarily dismissed	Lapse	Lapse	Forfeited
Resign	Lapse	Remain on foot but must be exercised within 60 days (if not, they lapse)	Remain on foot
In all other cases (e.g. redundancy, retirement, mutually agreed separation)	Pro-rata amount remains on foot (balance lapses)	Remain on foot but must be exercised within 60 days (if not, they lapse)	Remain on foot

### **Recommendation**

*The Board (with Mr Frazis abstaining) recommends that shareholders vote in favour of item 3.*



# ITEM 4 – AMENDMENT OF THE CONSTITUTION OF THE COMPANY

## 4.1 Background

The Company’s Constitution was last amended in December 2018.

It is proposed that the Constitution be amended as explained below. A copy of the Constitution which sets out the proposed amendments is available on the Company’s website <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>.

Under section 136 of the Corporations Act, amendments to the Constitution may only be made by a special resolution of shareholders.

## 4.2 Overview of the key proposed amendments to the Constitution

An overview of the key proposed changes proposed to be made to the Constitution are detailed in the table below.

Unless a contrary intention appears, capitalised terms in the table below have the meaning given in the Company’s Constitution, this Explanatory Statement or the Company’s 2020 Notice of Meeting.

Topic	Summary of proposed amendment(s)
Definition of “Relevant Officer” (Article 1)	The definition of “Relevant Officer” is proposed to be amended to include any “officer” (as defined in the Corporations Act) determined by the Directors from time to time.  This amendment will mean that the indemnity and insurance provisions set out in Article 55 of the Constitution may extend to “officers” (i.e. in addition to the Directors or the Secretary), where determined by the Board.
Attendance at general meetings (Article 29(d))	It is proposed that the Constitution be amended to provide that a person’s attendance at a general meeting waives any objection which that person may have had in relation to the consideration of a particular matter at the meeting which is not within the business referred to in the notice for the meeting, unless the person objects to the holding of the meeting at the beginning of the meeting.

<p>Reasonable fees for transfers (Article 24(e))</p>	<p>Consistent with ASX Listing Rule 8.14, it is proposed that the Constitution be amended to extend the prohibition on the charging of any fee to register a transfer of a Share to also include the registration of all registrable transfer forms, split certificates, renunciations and transfers, or the issue of certificates and transmission receipts, or the marking or notation of transfer forms, except as permitted by law (e.g. the Listing Rules).</p>
<p>Restricted Securities (Article 25)</p>	<p>In accordance with the Listing Rules it is proposed that the Constitution be amended to provide that:</p> <ul style="list-style-type: none"> <li>• the Company must request that a holding lock be applied to prevent a transfer of Shares being registered or refuse to register a transfer of Shares, in each case, if required by Applicable Law to do so or if the transfer is in breach of Applicable Law or any relevant Restriction Agreement;</li> <li>• Restricted Securities cannot be disposed of during the escrow period for those securities except as permitted by the Listing Rules or the ASX;</li> <li>• if Restricted Securities are in the same class as quoted securities, the holder will be deemed to have agreed that the Restricted Securities will be kept on the Company's issuer sponsored sub-register and are to have a holding lock applied for the relevant escrow period applicable to those Restricted Securities; and</li> <li>• during the escrow period applicable to those Restricted Securities, the holder of the Restricted Securities is not entitled to participate in any return of capital on those Restricted Securities except as permitted by the Listing Rules or the ASX.</li> </ul>

<p>Chair's conduct of Shareholders' meetings (Article 33)</p>	<p>The Chairperson of a general meeting is proposed to be given greater flexibility with respect to the conduct of general meetings as part of the proposed amendments to the Constitution, including to:</p> <ul style="list-style-type: none"> <li>• refuse to allow any amendments to be moved in respect of any resolution set out in the notice of the relevant meeting, and any business to be transacted unless the general nature of the business is stated in the notice of the relevant meeting;</li> <li>• determine that a vote be disregarded and treated as not having been cast if a person purports to cast a vote in contravention of Applicable Law;</li> <li>• withdraw from consideration any resolution set out in the notice of the relevant meeting (other than a resolution which has been requisitioned by Shareholders or required by Applicable Law); and</li> <li>• require any person wishing to attend the meeting to comply with searches, restrictions or other security arrangements considered appropriate.</li> </ul>
<p>Proxy and representative appointments (Article 43(c))</p>	<p>The Constitution is proposed to be amended to include additional provisions regarding proxy, attorney and representative appointments, including specific options available to the Company where an instrument appointing a proxy, attorney or representative is received and it is not properly executed or authenticated, or is incomplete or unclear.</p> <p>These amendments are designed to provide the Company with greater flexibility and increased efficiency in dealing with proxy documents.</p>

Directors and Directors'  
Meetings  
(Articles 48(f), 58(d)  
and 59)

It is proposed that the Constitution be amended to provide that the period for nominations for election as a Director may not be more than 90 business days prior to the meeting, in order to better align the Constitution with market practice and to provide up-to-date materials to shareholders after a nomination is received.

The Constitution is also proposed to be amended to clarify that the Directors' powers of delegation set out in the Constitution are conferred in substitution for, and to the exclusion of, the power conferred in section 198D of the Corporations Act.

Further, it is proposed that amendments be made to the provisions dealing with meetings of Directors (or committees of the Board) to provide greater flexibility and efficiency to the way the Board operates – including by allowing the use of technology and for written resolutions of the Board to be passed by fax, email or other electronic means, and to deal with the scenario where technical difficulties occur before or during any relevant meeting of the Board which is being held using technology.

<p>Dividends and Reserves (Articles 65 and 70)</p>	<p>The provisions in the Constitution relating to the reserves of the Company are proposed to be amended to permit the Board to set aside any sums as it thinks proper as a reserve, or carry forward any amount which the Board decides not to distribute or to transfer to a reserve, in each case, before paying any Dividend to Shareholders.</p> <p>In respect to Dividends, the Constitution will be amended to make clear that the Board may rescind or alter any determination or declaration to pay a Dividend at any time before the Dividend is paid.</p> <p>Where a Dividend or other distribution has been paid by the Company and:</p> <ul style="list-style-type: none"> <li>• any cheque is not presented for payment within 3 months; or</li> <li>• any direct credit is unsuccessful as a result of incorrect payment details being provided by or on behalf of a shareholder,</li> </ul> <p>(as applicable), then the monies will be taken to be an unclaimed Dividend or distribution and may be invested or otherwise used by the Directors for the benefit of the Company as they see fit until claimed or disposed of according to law.</p>
<p>Consequential and Other Amendments (various)</p>	<p>A number of additional minor changes are proposed to be made to the Constitution to ensure that the Constitution reflects current law and practice.</p> <p>The Constitution is also proposed to be amended to clarify that all notices, certificates, statements, demands, appointments, directions and other documents referred to in the Constitution must be in writing.</p>

**Recommendation**

*The Board recommends that shareholders vote in favour of Item 4.*

## ITEM 5 - REMUNERATION REPORT (NON-BINDING RESOLUTION)

Under the Corporations Act, listed companies are required to put to their shareholders a resolution to adopt the Remuneration Report contained in the Annual Report. The resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Board's policies for Director and senior manager remuneration, including a discussion of the relationship of remuneration to BOQ's performance, and other information required by the Corporations Act about Director and senior manager remuneration.

### **Recommendation**

*Noting that each Director has a personal interest in their own remuneration from the Company, as described in the Remuneration Report, the Board recommends that shareholders vote in favour of the advisory resolution to adopt the Remuneration Report.*

## ANNEXURE A - FURTHER INFORMATION REQUIRED BY THE ASX LISTING RULES (ITEM 3)

### Information regarding remuneration package

Mr Frazis is an Accountable Person of BOQ as defined in the Banking Executive Accountability Regime (**BEAR**) and accordingly his variable remuneration arrangements have been designed to ensure compliance with the BEAR requirements.

The FY21 remuneration package for Mr Frazis is comprised of the following components:

- (a) **Fixed Remuneration** (base salary and superannuation) – \$1,300,000;
- (b) **Sundry benefits including car parking and accommodation allowance**; and
- (c) **Variable Reward** – maximum opportunity of \$1,900,000, of which \$1,140,000 awarded in Performance Shares (88% of Fixed Remuneration) and \$760,000 awarded in Premium Priced Options (58% of Fixed Remuneration).

### Information regarding the EIP

#### *Malus and clawback powers*

The Board has malus and clawback powers in relation to securities issued under the EIP. The malus and clawback rules will apply as follows to Mr Frazis' FY21 Performance Shares and Premium Priced Options as follows:

- Malus rules will apply to Performance Shares until the end of the applicable restriction periods. An additional two year clawback period will apply from the date the restricted shares become unrestricted (i.e. for 4, 5, and 6 years).
- Malus rules will apply to Premium Priced Options until the end of the applicable restriction periods. This component of Mr Frazis' variable remuneration will be 'at risk' for 6 and 7 years.

#### *Change of control*

If a change of control event occurs, the Board may decide that some or all Performance Shares or Premium Priced Options vest or lapse in accordance with the rules of the EIP (**Plan Rules**) or that the dealing restrictions on shares are lifted. In determining whether to exercise its discretion, the Board may have regard to any circumstances it considers appropriate.

#### *Indeterminate rights*

In general, the Board will satisfy each Performance Shares or Premium Priced Options with the allocation of a share. Under the Plan Rules, the Board retains a discretion to satisfy a Performance Shares or Premium Priced Options with a cash amount equivalent to a share.

#### *Other discretions*

The Board has broad discretion to make changes under the EIP. For example, the Board has discretion to amend or add to the terms of awards or to adjust performance conditions (e.g. to take into account unforeseen circumstances).

### **Additional Information required by the ASX**

- Mr Frazis is a director of the Company.
- Nothing is payable by Mr Frazis to receive Performance Shares or Premium Priced Options. However, an exercise price of 120% of the VWAP of shares on the 5 trading days immediately after the Meeting must be paid to exercise any vested Premium Priced Options and receive an allocation of shares.
- Details of Mr Frazis' current total remuneration package are set out in Annexure B.
- BOQ grants Performance Shares and Premium Priced Options because they create share price alignment between Mr Frazis and shareholders but do not provide the full benefits of share ownership (i.e. dividend and voting rights) unless they vest.
- If shareholder approval is granted, the Performance Shares and Premium Priced Options will be allocated to Mr Frazis within 12 months of the Meeting. If shareholder approval is given under ASX Listing Rule 10.14, it is not required under ASX Listing Rule 7.1.
- If shareholder approval is not obtained for the Performance Shares and/or Premium Priced Options, the Board will consider alternative arrangements in respect of the relevant award to appropriately remunerate and incentivise Mr Frazis.
- The EIP was approved by the Board in October 2020 and accordingly, to date, no securities have been awarded to Mr Frazis under the EIP. The number of securities granted to Mr Frazis under the EIP will be disclosed in later Notices of Meeting.
- No loan will be made available in relation to the acquisition of securities.
- Details of any securities issued under the EIP will be published in BOQ's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.
- Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the EIP after this resolution is approved and who is not named in this Notice of Meeting will not participate until approval is obtained under ASX Listing Rule 10.14.



## ANNEXURE B – FY21 REMUNERATION FRAMEWORK CHANGES

### Objectives

After a comprehensive review of the Bank's Executive Remuneration Framework in 2020 the Board determined to implement a new framework for FY21. This change is designed to:

- increase alignment with shareholders through increasing remuneration delivered through equity and longer vesting periods;
- encourage long term performance with an appropriate focus on financial and non-financial metrics;
- focus executives on improving absolute shareholder returns;
- appropriately reflect our strategy and transformation agenda;
- simplify the Executive Remuneration Framework; and
- attract and retain executive talent.

### Summary of changes

The significant changes to the elements in the MD&CEO's remuneration framework are outlined below

- All variable pay is delivered in equity
- No cash incentives
- Simplified incentive structure
  - No leveraged upside in annual incentive
  - If the Board determines performance is in line with expectations of Group Scorecard, conduct, risk behaviours and outcomes, Performance Share 'rights' will convert to 'restricted shares'
  - Regular and rigorous review of risk matters to determine whether 'restricted shares' should be forfeited or retained prior to vesting and release of restricted securities
  - Requirement for the share price to grow by at least 20% for any value to be derived by the MD&CEO from the Premium Priced Options
  - Removal of relative Total Shareholder Return and Earnings per Share measures due to the difficulty of determining appropriate peer groups, the possibility of reward with no shareholder value created and the low retention value for executives.
  - Extension of vesting and holding periods to align the MD&CEO's interests over the longer term with shareholders.

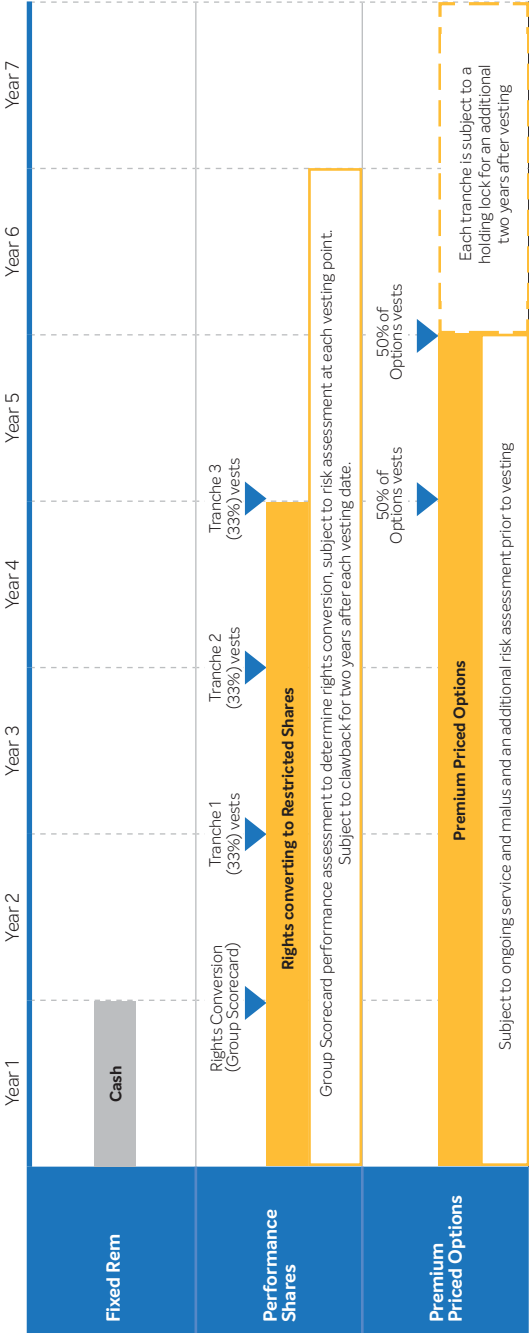
## MD&CEO remuneration framework changes (\$'000s)

Component	FY20 Structure	FY21 Structure
Fixed Remuneration	1,300	1,300
Annual Short-term Incentive (maximum)		
• Cash	910	0
• Restricted Shares	910	0
Long-Term Incentive (at face value)	1,300	0
<b><i>FY21 Changes</i></b>		
Equity Incentive Plan		
• Performance Shares (at face value)		1,140
• Premium Price Options (at option value)		760
<b>Total</b>	<b>\$4,420</b>	<b>\$3,200</b>

The Board engaged PwC to value various elements of the FY20 and FY21 CEO remuneration package. Given the extraordinary impacts of COVID-19 on markets, the Board provided input on long-term volatility and dividend assumptions. Using PwC's inputs, the Board arrived at a total remuneration and pay mix that allowed for an equivalent value between the FY20 and FY21 CEO remuneration packages.

The vesting timelines have been extended to reflect longer risk and performance horizons and the malus and clawback provisions enhanced.

# Proposed FY21 Remuneration Framework Design



Cash-based award (performance period)
  Equity-based award (performance and service period)

