

Public Disclosure of Prudential Information in accordance with APRA Prudential Standard APS 330

AS AT 30 JUNE 2020

This report has been prepared by Australian Central Credit Union Ltd (trading as People's Choice Credit Union) to meet its disclosure requirements under the Australian Prudential Regulatory Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public disclosure of Prudential Information.

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COMMON DISCLOSURE TEMPLATE

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The Consolidated Group is applying the Basel III regulatory adjustments in full as implemented by APRA under APS 330.

Common Equity Tier 1 capital: instruments and reserves		\$m
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	N/A
2	Retained earnings	324
3	Accumulated other comprehensive income (and other reserves)	304
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	N/A
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	N/A
6	Common Equity Tier 1 capital before regulatory adjustments	628
Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustments	N/A
8	Goodwill (net of related tax liability)	N/A
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	N/A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	N/A
11	Cash-flow hedge reserve	(2)
12	Shortfall of provisions to expected losses	N/A
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	N/A
14	Gains and losses due to changes in own credit risk on fair valued liabilities	N/A
15	Defined benefit superannuation fund net assets	N/A
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	N/A
17	Reciprocal cross-holdings in common equity	N/A
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	N/A
20	Mortgage service rights (amount above 10% threshold)	N/A
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	N/A
22	Amount exceeding the 15% threshold	N/A
23	of which: significant investments in the ordinary shares of financial entities	N/A
24	of which: mortgage servicing rights	N/A
25	of which: deferred tax assets arising from temporary differences	N/A
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	102
26a	of which: treasury shares	N/A
	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	N/A
26b	of which: deferred fee income	N/A
26c	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	32
26d	of which: deferred tax assets not reported in rows 10, 21 and 25	17
26e	of which: capitalised expenses	39
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA rules	11
26h	of which: covered bonds in excess of asset cover in pools	N/A
26i	of which: undercapitalisation of a non-consolidated subsidiary	N/A
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	1
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	N/A
28	Total regulatory adjustments to Common Equity Tier 1	100
29	Common Equity Tier 1 Capital (CET1)	528
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	N/A
31	of which: classified as equity under applicable accounting standards	N/A
32	of which: classified as liabilities under applicable accounting standards	N/A
33	Directly issued capital instruments subject to phase out from Additional Tier 1	N/A
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	N/A
35	of which: instruments issued by subsidiaries subject to phase out	N/A
36	Additional Tier 1 Capital before regulatory adjustments	N/A
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	N/A
38	Reciprocal cross-holdings in Additional Tier 1 instruments	N/A
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	N/A
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	N/A
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	N/A
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	N/A
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	N/A
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	N/A
43	Total regulatory adjustments to Additional Tier 1 capital	N/A
44	Additional Tier 1 capital (AT1)	N/A
45	Tier 1 Capital (T1=CET1+AT1)	528
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	N/A
47	Directly issued capital instruments subject to phase out from Tier 2	N/A
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	N/A
49	of which: instruments issued by subsidiaries subject to phase out	N/A
50	Provisions	13
51	Tier 2 Capital before regulatory adjustments	13

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Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	N/A
53	Reciprocal cross-holdings in Tier 2 instruments	N/A
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	N/A
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	N/A
56a	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	N/A
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	N/A
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	N/A
57	Total regulatory adjustments to Tier 2 capital	N/A
58	Tier 2 capital (T2)	13
59	Total capital (TC=T1+T2)	541
60	Total risk-weighted assets based on APRA standards	3,778
Capital ratios and buffers		N/A
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.98%
62	Tier 1 (as a percentage of risk-weighted assets)	13.98%
63	Total capital (as a percentage of risk-weighted assets)	14.32%
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs)	7.00%
65	<i>of which: capital conservation buffer requirement</i>	2.50%
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0%
67	<i>of which: G-SIB buffer requirement</i>	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	6.98%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	
71	National total capital minimum ratio (if different from Basel III minimum)	
Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	N/A
73	Significant investments in the ordinary shares of financial entities	N/A
74	Mortgage servicing rights (net of related tax liability)	N/A
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N/A
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	13
77	Cap on inclusion of provisions in Tier 2 under standardised approach	N/A
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N/A
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements	N/A
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	N/A
84	Current cap on T2 instruments subject to phase out arrangements	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A

REGULATORY CAPITAL DISCLOSURE RECONCILIATION

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	CDT	Consolidated Entity \$m	Adjustments (1) \$m	Regulatory Level 2 \$m
Assets				
Cash and cash equivalents		197.0		197.0
Loans and advances		7,886.1	(1,203.5)	6,682.6
<i>of which: Loan and lease origination fees and commissions paid to mortgage originators and brokers</i>	26f			2.5
<i>of which: Other specific regulatory adjustments</i>	26j			0.0
Investment securities		1,137.2	(31.9)	1,105.3
Other investments		36.3	43.0	79.3
<i>of which: Investments in commercial (non-financial) entities that are deducted under APRA rules</i>	26g		11.2	11.2
<i>of which: Holding companies of ADIs and equivalent overseas entities</i>	26d			31.9
<i>of which: Other Common Equity Tier 1 adjustments as advised by APRA</i>	26j			-
<i>of which: Common Equity Tier 1 specific adjustments relating to securitisation</i>	26j			1.2
Property, plant and equipment		104.0		104.0
Intangible assets		6.1		6.1
<i>of which: Goodwill</i>	8			-
<i>of which: Other intangibles</i>	26j			33.18
Interest in equity accounted investees		11.2	(11.2)	-
<i>of which: Commercial (non-financial) entities</i>	26g			
Deferred tax assets	26e	24.9		24.9
Derivative assets		13.5		13.5
Other assets		31.3	7.0	38.3
<i>of which: Securitisation start up costs</i>	26f			3.6
Total Assets		9,447.6	(1,196.6)	8,251.0
Liabilities				
Deposits		6,743.6	(11.1)	6,732.5
Derivative liabilities		17.8		17.8
Other payables		56.6	11.9	68.5
Lease liabilities		61.5		61.5
Borrowings		1,896.1	(1,184.7)	711.4
Current tax payable		1.7		1.7
Deferred tax liabilities	26e	11.9		11.9
Provisions		20.2		20.2
Total Liabilities		8,809.4	(1,183.9)	7,625.5
Net Assets		638.2	(12.7)	625.5
Equity				
Reserves	3	192.2	(12.7)	179.5
<i>of which: Gains/(losses) on effective cash flow hedges</i>	11			(2.4)
Retained earnings	2,3	446.0		446.0
<i>of which: Unearned loan fees</i>	3			2.3
Total Equity		638.2	(12.7)	625.5

(1) Adjustment column includes the entities that have been provided prudential relief and are not included in the Consolidated Entity for capital purposes

REGULATORY CAPITAL DISCLOSURE RECONCILIATION (continued)

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Entities excluded from level 2 regulatory Consolidated Group

	Total Assets \$m	Total Liabilities \$m
1. Securitisation		
Entity is included within the accounting consolidation but excluded from the regulatory Consolidation Group.		
Light Trust No.6	159.9	159.9
Light Trust 2017-1	224.2	224.2
Light Trust 2018-1	285.4	285.4
Light Trust 2019-1	509.7	509.7
2. Warehouse Securitisation Facilities		
Entities not owned nor controlled by the Consolidated Group where funding facilities are included within the accounting consolidation but excluded from the regulatory Consolidation Group.		
Integrus Securitisation Services Pty Ltd	5.5	5.5

AUSTRALIAN CENTRAL CREDIT UNION LTD (TRADING AS PEOPLE'S CHOICE CREDIT UNION)
PUBLIC DISCLOSURE OF PRUDENTIAL INFORMATION
IN ACCORDANCE WITH APRA PRUDENTIAL STANDARD APS 330
FOR THE QUARTER ENDED 30 JUNE 2020
ABN 11 087 651 125
AFSL 244310



CAPITAL	AS AT 30 JUNE 2020 \$m	AS AT 31 MARCH 2020 \$m
Tier 1 Capital		
Retained Earnings including current year earnings	627.9	625.7
Deductions from Tier 1 Capital	(99.6)	(68.8)
Total Tier 1 Capital	528.3	556.9
Tier 2 Capital	12.7	13.3
Total Capital base	541.0	570.2

SECURITISATION	AS AT 30 JUNE 2020 \$m	AS AT 31 MARCH 2020 \$m
On balance sheet securitisation*	2,589.9	1,310.1
Off balance sheet securitisation*	1,185.1	1,257.6
RMBS Securities held	2,113.7	845.7
Redraw facilities	29.6	19.5
Swap facilities	13.4	4.7

* Loans and advances secured by residential mortgage.

CAPITAL ADEQUACY COMPONENTS	AS AT 30 JUNE 2020 \$m	AS AT 31 MARCH 2020 \$m
Credit Risk:		
Secured loans and credit limits	2,317.3	2,272.3
Unsecured loans and credit limits	462.2	493.2
Liquid deposits	374.0	303.5
Other assets	96.1	121.2
Off balance sheet exposures	25.2	32.0
Operational Risk	491.8	484.1
Securitisation	11.8	15.7
TOTAL	3,778.4	3,722.0

CAPITAL RATIOS	AS AT 30 JUNE 2020 %	AS AT 31 MARCH 2020 %
Tier 1 Capital Ratio (Group)	13.98%	14.96%
Total Capital Ratio (Group)	14.32%	15.32%

CREDIT RISK EXPOSURE AS AT 30 JUNE 2020							Charges for specific provision & amounts written- off during the period
Credit Exposure Type	Gross Credit Risk Closing Balance	Quarterly Average Gross Exposure	Amount Impaired	Amount Past Due	Specific Provision		
Loans and Advances							
Secured by residential mortgage	6,249.2	6,185.1	10.0	31.8	8.8		3.7
Other member loans	462.2	477.7	2.3	0.0	5.3		(0.4)
Total Loans and Advances	6,711.4	6,662.8	12.3	31.8	14.1		3.3
Commitments	1,078.7	1,083.5					
Derivatives	340.0	360.0					
Other	1,448.7	1,333.3	-	-			
General Reserve for Credit Losses	12.7						

CREDIT RISK EXPOSURE AS AT 31 MARCH 2020							Charges for specific provision & amounts written- off during the period
Credit Exposure Type	Gross Credit Risk Closing Balance	Quarterly Average Gross Exposure	Amount Impaired	Amount Past Due	Specific Provision		
Loans and Advances							
Secured by residential mortgage	6,121.0	6,071.1	13.1	27.4	5.3		1.3
Other member loans	493.2	497.7	3.0	0.0	6.4		2.2
Total Loans and Advances	6,614.2	6,568.8	16.1	27.4	11.7		3.5
Commitments	1,088.3	1,107.8					
Derivatives	380.0	402.5					
Other	1,217.9	1,223.5	-	-			
General Reserve for Credit Losses	13.3						

REMUNERATION DISCLOSURE

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INTRODUCTION

The following remuneration disclosures have been prepared for Australian Central Credit Union Ltd, trading as People's Choice Credit Union (**People's Choice**), in accordance with APRA's remuneration disclosure requirements under prudential standard APS 330 *Public Disclosure* (**APS 330**) and the Board Remuneration Policy (**Remuneration Policy**).

APS 330 requires that all Authorised Deposit-taking Institutions (**ADIs**) meet the minimum requirements for public disclosure of qualitative and quantitative information of their remuneration practices.

The quantitative information relates to senior managers and material risk takers employed by People's Choice during the financial year ended 30 June 2020. The qualitative remuneration disclosures are broader in scope and cover all individuals included in the Remuneration Policy, as outlined in prudential standard CPS 510 *Governance* (**CPS 510**).

The information reported is provided for regulatory disclosure purposes and is not comparable to accounting reporting or any other information disclosed elsewhere by People's Choice.

Senior Managers for the purpose of this disclosure include the Chief Executive Officer (**CEO**), the Executive Management Team, and Responsible Persons (as per the Remuneration Policy). A 'Senior Manager' refers to each responsible person included in an ADI's Remuneration Policy under paragraph 57(a) of CPS 510. During the financial year ended 30 June 2020, the total number of employees within this group was 30. As at 30 June 2020, there were 29 employees within this group.

Material risk takers are defined as persons included in an ADI's Remuneration Policy under 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. Based on this definition, the Board has assessed that for the purposes of this disclosure, a 'material risk-taker' will be any employee who is entitled to receive more than 40% of their total remuneration in performance or sales related incentives. During the financial year ended 30 June 2020, the total number of employees within this group was 30. As at 30 June 2020, there were 27 employees within this group.

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QUALITATIVE DISCLOSURES

Remuneration Governance

The Board is responsible for remuneration governance. It has established the Remuneration Committee¹ (**Committee**). The Committee is the main body which oversees remuneration for People's Choice and its responsibilities include:

- conducting regular reviews of, and making recommendations to the Board on the Remuneration Policy;
- making annual recommendations to the Board on the remuneration of the CEO and direct reports of the CEO;
- overseeing the remuneration of other persons whose activity may, in the Committee's opinion, affect the financial soundness of People's Choice, and any other person specified by APRA; and
- making annual recommendations to the Board on the remuneration of any other categories of persons covered by the Remuneration Policy.

The roles and responsibilities of the Committee are set out in the "Remuneration Committee Terms of Reference" (**Terms**). The Terms are reviewed by the Committee at least every 18 months and reviewed and endorsed by the Board at least every three years.

The Terms provide that the Committee will comprise at least three non-executive directors appointed by the Board. Members of the Committee are appointed annually by the Board.

The Committee is required to meet a minimum of three times during each financial year. During the financial year ended 30 June 2020, the Committee met 8 times.

Fees paid to each director of People's Choice are inclusive of their Board and Board Committee positions, i.e. directors do not receive additional fees for their participation on Board Committees. Therefore, the fees quoted below (in line with paragraph (g) of Table 21 of APS 330) are the total fees paid to directors appointed to the Remuneration Committee for their positions held on the Board, the Remuneration Committee and any additional Board Committees.

Financial year ended 30 June 2020

Committee Members	3 (including Chair)
Meetings	8
Total Fees ²	375,465

The Committee has available to it unfettered access to internal risk and financial control personnel and other relevant employees. The Committee is also empowered to consult independent external advisers where it is deemed necessary to assist in the carrying out of its duties. Where the Committee chooses to seek advice from external advisers the Committee can do this independently of, and without involving, management of People's Choice.

During the financial year ended 30 June 2020, the Committee engaged Ernst & Young, Korn Ferry Hay Group and Financial Institutions Remuneration Group (FIRG) to advise on market remuneration data and market practice.

¹ The Remuneration Committee was established by the Board on 17 December 2019. Prior to this time, matters pertaining to remuneration were overseen by the Corporate Governance Committee. For the purposes of the Remuneration Disclosure, references to the 'Remuneration Committee' will include the Corporate Governance Committee for the period 1 July 2019 to the date of the establishment of the Remuneration Committee.

² Members of the Committee sit on other People's Choice Board Committees and the Board itself, therefore fees quoted includes remuneration for holding those other positions.

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Remuneration Policy and Framework

To assist with the management of People's Choice's remuneration processes, the Committee has approved the Remuneration Policy which sets out the design and structure of the remuneration processes for People's Choice.

The Remuneration Policy applies to People's Choice and its controlled entities. The Remuneration Policy provides a remuneration structure comprising base salary, short term incentive (**STI**), and long-term incentive (**LTI**) to reward employees covered by the policy, dependent on the level of responsibility.

The Remuneration Policy:

- Outlines the general principles of remuneration for employees covered by the policy;
- Outlines the general principles for the setting of performance goals for these employees; and
- Explains the relationship between the Remuneration Policy and other People's Choice management policies relating to remuneration and performance goals.

The Committee reviews the Remuneration Policy at least annually and recommends any amendments to the Board for approval. During the reporting period the following changes to the Remuneration Policy were endorsed:

- Variable remuneration for Home Lender positions is now governed by the Home Lender Short Term Incentive Plan;
- The policy now specifically references the Executive Incentive Plan ("**EIP**"), to enable the Board to make amendments to the EIP without requiring a review of the policy;
- The requirement for the EIP to include provisions for the deferral of variable remuneration to comply with the Banking Executive Accountability Regime ("**BEAR**") and vesting conditions for deferred remuneration was included;
- The *Banking Executive Accountability Regime Policy* has been included as a reference document; and
- Other minor amendments to position titles to reflect the current organisational structure.

People's Choice's remuneration policy aims to remunerate competitively in line with the financial services market considering factors such as organisational size and complexity, and role responsibility in order to attract and retain the talent necessary to meet organisational objectives.

The remuneration structure in place for employees is consistent with People's Choice's Remuneration Policy and is based on a total remuneration approach comprising an appropriate mix of fixed (salary and benefits) and variable remuneration. The total remuneration mix for an individual varies depending on the level of the role within the organisation.

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Remuneration Components

Remuneration arrangements for employees of People's Choice may encompass the following components:

- Fixed remuneration – salary based on role size and market value
- Variable remuneration – performance based, at-risk bonus

The table below provides an overview of the remuneration components applicable to employees of People's Choice.

Item	Structure, Performance and Risk Alignment
Fixed remuneration	<p>Fixed remuneration is comprised of base salary, fees, any fringe benefits, superannuation and any employee salary sacrificed benefits.</p> <p>Fixed remuneration is commensurate with the size and complexity of the role, individual responsibilities, individual performance, experience and skills. Fixed remuneration is typically reviewed annually, as part of the annual remuneration review. This review takes into account the employee's individual performance against People's Choice's Corporate KPIs and market relativity.</p> <p>Superannuation contributions are paid according to statutory requirements.</p>
Variable Remuneration	<p>Employees have opportunities to participate in various variable remuneration arrangements, depending on their job role. Discretionary variable remuneration is dependent on the achievement of both financial and non-financial objectives as approved by the Board.</p> <p>Subject to meeting the eligibility criteria (including risk and compliance gateways), all employees covered by the Remuneration Policy are eligible to receive an annual incentive payment that reflects individual performance and the extent to which annual objectives have been met.</p> <p>The annual bonus earned by an individual is dependent on the achievement of the strategic Key Performance Indicators and objectives of People's Choice, the individual's business unit, and individual's performance which is reviewed and rated annually.</p> <p>The determination of bonus remuneration is based on various performance metrics i.e. financial and non-financial metrics. Financial metrics include revenue, portfolio growth, return on equity and net profit. Non-financial metrics include compliance with risk management frameworks, management of staff, membership growth and advocacy, and adherence to corporate values.</p> <p>In determining the payout under any component of variable pay, People's Choice adopts, as policy, the use of set targets to determine the extent to which overall organisation performance has been achieved as well as individual performance. The Committee retains discretion to recommend to the Board variations to the bonus payment to reflect the achievement of performance metrics.</p>

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Remuneration and Risk Management

The Remuneration Policy forms part of People's Choice's Risk Management Framework.

The Committee ensures that the Remuneration Policy encourages behavior that supports People's Choice's long-term financial soundness, growth and success within an appropriate risk management framework.

Performance based components of remuneration are designed to align remuneration with prudent risk taking and incorporate adjustments to the extent that it is practical and cost effective to do so, relative to the amount of the at risk component, to reflect:

- the outcomes of business activities;
- the risks related to the business activities taking account, where relevant, of the costs of the associated capital; and
- the time necessary for the outcomes of those business activities to be reliably measured.

Failure to meet requirements in relation to compliance and risk conduct results in the forfeiture or reduction of variable remuneration payable to the employee.

Further, the Remuneration Policy provides that after careful consideration of the ongoing financial soundness of People's Choice, or in response to significant unexpected or unintended consequences, the Committee may recommend to the Board that the annual performance bonus to be received by employees covered under the Remuneration Policy be reduced, including to zero if appropriate, with the same reduction rate applying to all or to a selected group.

The table below provides the key risks and measures which are considered to ensure compliance with legislative standards and alignment with People's Choice's risk appetite.

Risk	Measures	Review of the measures
Strategic Risk	Change Portfolio Complexity, Benefits Realisation, Resource Availability, Change Portfolio Risk	These measures are produced and reviewed against Board policy limits on at least a monthly basis.
Conduct Risk	Member Complaints, Conduct Allegations Upheld	
Operational Risk	Information System Performance, WHS Incidents, Training Completion Rates, Compliance Breaches, Fraud Losses, Audit Findings, Controls Testing Overdue, Events Outstanding	
Cyber Risk	Patch Management, Vulnerabilities, Staff Cyber Awareness	
Credit Risk	Portfolio Mix, Credit Score Distribution (HL / PL), Net Write Off, Concentration Risk	
Liquidity Risk	Minimum Liquidity Holdings (MLH), Extreme Liquidity Position, Funding Mix	
Interest Rate Risk	Earnings at Risk (EAR), Market Value Sensitivity (MVS)	

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Performance and Reward Linkage

Variable remuneration payments under People's Choice's variable remuneration plans are linked to several performance measures including strong individual performance and the performance of People's Choice (through financial and non-financial measures).

Over the past year, People's Choice reviewed several incentive plans and made changes to performance measures to improve alignment to member experience, risk and compliance outcomes. Further information on the link between KPIs and variable reward plans are outlined below:

Component	Input into variable reward plans
People's Choice's performance against Corporate KPIs	<p>People's Choice's performance is assessed against both financial and non-financial measures which support People's Choice's short-term performance and long-term strategy. For Senior Managers, these measures are weighted and scored to give an overall performance score.</p> <p>Financial measures include portfolio growth, return on equity, cost to income and net profit.</p> <p>Non-financial measures include net membership growth, net promoter score, staff engagement, strength of culture, risk appetite and conduct and compliance risk.</p> <p>An increase in People's Choice's performance results does not automatically increase total variable remuneration, however poor results against a range of corporate measures will impact on the amount of variable remuneration payable to senior employees.</p>
Employee's performance against individual KPIs	<p>All employees are required to complete a performance review against individual performance objectives that are set and agreed at the start of the relevant performance year. Objectives are set using a top-down approach to ensure individual objectives align with People's Choice's strategy.</p> <p>Assessment against these objectives is completed at the end of the performance year and employees receive a performance rating of either "meets expectations", "exceeds expectations" or "below expectations". This rating directly feeds into the annual review of fixed remuneration for the employee.</p> <p>An employee's level of individual performance directly affects their potential variable remuneration outcome. Higher levels of individual performance result in higher levels of variable remuneration whilst poor individual performance excludes an employee from any variable remuneration payment.</p> <p>Employees are also assessed against People's Choice's corporate values with the rating outcome serving as an input into remuneration outcomes.</p> <p>Individual performance requirements for Executive Managers are set by the CEO and endorsed by the Committee.</p>

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Deferral and Clawback

People's Choice may utilise deferred bonuses and/or clawback as a risk management approach where it is determined appropriate or required by the Banking Executive Accountability Regime (BEAR). Any deferred bonuses or clawbacks for non-executive positions are recommended by the CEO and approved by the Committee. Executive positions are subject to the Banking Executive Accountability Regime (BEAR) and hence all Executive bonuses are subject to deferral in accordance with BEAR which is overseen by Board on advice from the Committee.

Employees covered by the Remuneration Policy may be subject to clawback provisions as outlined in the relevant remuneration terms for the position. Such provisions may include, but are not limited to, the right of People's Choice to suspend or cancel payments in circumstances where:

- Eligibility requirements have not been met;
- The employee is subject to formal disciplinary action; and/or
- The employee has advice quality, compliance, legislative, values-based behavioral or performance issues.

Variable remuneration awards for certain employees in the material risk taker category are subject to deferral in accordance with the remuneration terms applicable to the employee's position. Deferral and claw-back provisions are in place to encourage a long-term focus and to ensure that appropriate risk reviews are conducted before any remuneration is paid.

There were no circumstances that gave rise to the consideration of clawback provision use during the financial year ended 30 June 2020.

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 People's Choice. Remuneration outcomes for these individuals are based on the performance of People's Choice and their individual performance against KPIs.

People's Choice takes control measures to ensure that risk and financial control personnel are remunerated independently of the business units they oversee as outlined below:

- All components of remuneration for risk and financial control personnel are documented in accordance with remuneration policies and procedures and require the following levels of approval and disclosure:
 - Fixed components – requires approval by the CEO and endorsement by the Committee and the Board;
 - Variable components – requires approval by the CEO and are reported to the Committee.

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QUANTITATIVE DISCLOSURES

Remuneration for the year ended 30 June 2020

The following tables have been prepared in accordance with the quantitative requirements outlined in APS 330.

The table below summarises the requirements under paragraph (h) in Table 21 of APS 330 and provides a breakdown of the various payments made to Senior Managers and material risk takers for the financial year ended 30 June 2020.

	Senior Managers ³	Material Risk Takers ⁴
Number receiving a variable award	29	24
Guaranteed bonuses awarded	-	-
Sign-on awards ⁵	-	-
Termination payments ⁶	-	<u>\$ 13,801</u>

The table below provides a summary of deferred cash and equity-based remuneration, including total amount of outstanding awards, and those that have vested during the 2020 financial year, including any reductions due to ex post explicit and implicit adjustments.

The table summarises the requirements under paragraphs (i) and (k) in Table 21 of APS 330 for the financial year ended 30 June 2020.

Outstanding Deferred Remuneration		
	Senior Managers ³	Material Risk Takers ⁴
Cash based awards ⁷	-	\$1,769,864
Shares and share-linked instruments	-	-
Total deferred remuneration vesting during the 2020 financial year	-	\$155,632
Total reductions during the 2020 financial year due to explicit adjustments	-	-
Total reductions during the 2020 financial year due to implicit adjustments	-	-

³ As per paragraph 57(a) of Prudential Standard CPS 510 Governance (CPS 510)

⁴ As per paragraph 57(c) of CPS 510. Employees in this category include staff employed in specified home lending and financial planning roles.

⁵ No sign-on bonuses were made during the financial year.

⁶ A total of one (1) Material Risk Taker received termination payments during the financial year.

⁷ Represents total outstanding deferred remuneration awards, inclusive of employer superannuation.

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The table below (formatted as per Table 21A of APS 330) summarises the requirements under paragraph (j) in Table 21 of APS 330 and provides a breakdown of the value of fixed and variable remuneration for Senior Managers and material risk takers for the financial year ended 30 June 2020.

	Senior Managers ⁸	Material Risk Takers ⁹
Number of incumbents	30	30
Fixed Remuneration		
Cash based (Non-Deferred) ¹⁰	\$7,804,458	\$3,188,403
Shares and share-linked instruments	-	-
Other ¹¹	\$694,994	\$ 256,050
Variable Remuneration		
Cash based (Non-Deferred) ¹²	\$2,225,439	\$ 1,056,963
Cash based (Deferred)	-	-
Share-linked instruments (Deferred)	-	-
Other	-	-

⁸ As per paragraph 57(a) of Prudential Standard CPS 510 Governance (CPS 510)

⁹ As per paragraph 57(c) of CPS 510. Employees in this category include staff employed in specified financial planning roles.

¹⁰ Represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.

¹¹ Represents value of annual leave and long service leave accruals.

¹² Represents variable remuneration awarded during the 2020 financial year, inclusive of employer superannuation.