

Cbus Policy

Remuneration Summary

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Cbus' Trustee: United Super Pty Ltd
ABN 46 006 261 623 AFSL 233792
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Principles

As an industry superannuation fund, Cbus is run only to benefit members. The Fund's remuneration practices are designed to reflect our values placing our Members at the centre of all that we do. We also recognise that as we continue to transform to meet an ever increasingly competitive environment, we need to resource the Fund appropriately in order to provide quality benefits and services to our members and employers.

Cbus is committed to providing a remuneration strategy that meets the following principles:

- Aligns remuneration arrangements with the achievement of strategic objectives consistent with its stated risk appetite and that develops and supports the desired Cbus culture;
- Ensure that remuneration will be equitable, based on merit, underpinned by a transparent and consistent methodology;
- Ensure that the Fund provides an appropriately competitive level of remuneration within the market in which the Fund operates but that gives appropriate consideration to the long term financial soundness of the Fund;
- Ensure that the Fund remains conscious of the relationships between remuneration pressures and costs to members;
- Ensure that employees understand the basis for determining their remuneration;
- Cbus remuneration strategies are directed at meeting the following objectives:
 - Facilitating the attraction and retention of key capabilities;
 - Reinforcing key behaviours that are aligned to our values;
 - Competitively positioning labour costs; and
 - Providing the flexibility necessary to access future business opportunities and respond to business threats by the attraction and retention of key talent.
- Remuneration structures at Cbus should be supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

Remuneration Arrangements

The remuneration arrangements of specific roles at both Cbus and Cbus Property are subject to the requirements of the APRA Prudential Standard on Governance – SPS 510 (The Standard).

In accordance with the Standard, our remuneration practices specifically apply to the following categories of employees and Directors at Cbus and Cbus Property:

- Responsible persons - for Cbus this includes the Directors, Company Secretary/ies, and Executive Managers of the Trustee;
- Persons whose primary role is risk management, compliance, internal audit, financial control or actuarial control ie: collectively risk and financial control personnel; and
- All other persons for whom a *significant proportion* of total remuneration is *based on performance* and whose activities, individually or collectively, may affect the interests of beneficiaries, the financial position of the Trustee or its connected entities, or any other relevant prudential matter.

The Cbus Remuneration Policy encompasses all persons in the above categories that are employed directly by the Trustee or retained under contract, and those that are employed by, or a contractor of, a body corporate that is a connected entity or a related body corporate ie: Cbus Property.

Responsibility and Accountability

The Board acknowledges that it has ultimate responsibility for the sound and prudent management of the Trustee and the Fund, including its remuneration arrangements. The Remuneration Policy and amendments to same, must be approved by the Board.

In accordance with the Standard, on the recommendation of the Remuneration Committee or singularly, the Board can adjust performance-based components of remuneration for those categories of persons set out above downwards to zero, if appropriate, to protect the financial position of the Trustee and the Fund or to respond to any significant unexpected or unintended consequences that were not foreseen by the Remuneration Committee.

The Board has established the Remuneration Committee to assist it in carrying out its responsibilities in relation to remuneration arrangements. The specific role and responsibilities of the Committee are contained in the Remuneration Charter. This includes the obligation to conduct regular reviews and make recommendations to the Board on the Remuneration Policy and to make annual recommendations to the Board on the remuneration of those categories of persons specified above.

The Committee can rely on advice from both internal and external parties when conducting its reviews, such as human resource management, and will ensure that there are processes in place to support the management of any conflicts of interest when advice from such parties is sought. In undertaking these responsibilities the Committee may also engage third-party experts to provide independent advice.

The risks associated with remuneration will be managed in a manner that supports the Trustee's risk management framework.

Cbus Remuneration Structure

For the purpose of the Standard, remuneration arrangements include measures of performance, the mix of forms of remuneration (such as fixed and variable components, and cash and equity-related benefits) and the timing of eligibility to receive payments that a person receives by virtue of the role that they undertake for the Trustee. All forms of remuneration are captured by the Standard, regardless of where, or from whom, the remuneration is sourced.

At the present time, Cbus operates a relatively simple remuneration structure and this is outlined below:

Fixed pay

All employees at Cbus receive fixed pay, which includes a cash salary, superannuation and for some employees, leave loading.

The standard superannuation rate at Cbus for all employees is the SGC + 7%. Employees that are affected by the capped contributions will have excess superannuation contributions paid to them in their base salary.

Should the contribution caps change at any time (ie: be increased or decreased), this will cease as applicable.

Fixed pay at Cbus is based on a number of inputs and the Fund receives remuneration data through membership of FIRG (the Financial Institutions Remuneration Group) and also through the participation in other appropriate surveys.

In determining an employee's fixed remuneration, external benchmarking is performed to ensure that remuneration is comparable and competitive within the markets in which the Fund operates. All roles are benchmarked against a peer group of other similar sized profit- for-members funds based on a combination of funds under management (FUM) and membership numbers (and in some cases, location).

Executive roles are benchmarked using this method and data is also sought against industry peer groups that seek to gather data from the large profit-for-members funds and the broader financial services sector.

Individual performance, skills, and experience are also used to determine where the employee's fixed remuneration should sit within a market range.

Once a benchmark is determined (usually around the 62nd percentile), a range is generally set 20% on either side (eg: from 80% to 120% of the position).

In some cases individual employees will be either above the range or below the range set and there are a number of reasons for this. The reasons may include that:

- The employee is still developing in that role.
- Year on year progression (of a long serving employee) may have moved salary away from the market.
- The Fund may pay at a certain level above the range to secure particular skills or expertise.

Cbus employees employed under the industrial agreements currently operating in the Trustee office are awarded a 'CPI-like' quantum increase each year on the 1 July, which generally maintains the value of their remuneration.

Salary increases outside the annual incremental increases, are currently awarded based on two methods:

1. Annual external benchmarking across the organisation identifies that the salary of the role is out of step with the market and an increase may be determined; or
2. A staff member may make application to have their salary reviewed.

There is a focus on ensuring that the level of salary is correctly positioned when the job is designed and recruited, enabling the Fund to better keep the salary of the role aligned with the determined pay position in the market through the lifetime of the role (if appropriate).

Cbus notes from time to time it will need to attract and retain capability that might mean it will need to pay 'out of the market' or 'above the market' and so it retains the right to take a position in the market where necessary to attract talent to the Fund appropriately as required where skills and resources are scarce or in line with strategic objectives.

Short and long term incentives:

Cbus does not currently pay short or long term incentives to staff. Cbus acknowledges that increasingly these incentives are paid to many of our contemporaries within the industry fund sector. Equity-related components do not form any part of the Trustee's remuneration mix.

Cbus Property Pty Ltd does operate a short term incentive scheme related to performance..

Performance Based Pay:

Performance based pay does not currently operate at Cbus for those staff that are covered by the industrial instruments.

Executive staff do participate in performance based pay arrangements and these are detailed under 'Executive Remuneration' below.

Any performance based components of Executive remuneration is designed to align with prudent risk-taking and incorporates the following hurdles:

- a) The delivery of the Cbus business objectives as set out in the Cbus Business Plan and individual performance indicators;
- b) The delivery of these objectives within the parameters of the Trustee's risk appetite.

Cbus Property:

Cbus Property Pty Ltd (CPPL) pays a performance related incentive to staff (internally referred to as a short term incentive ("STI")). All staff that work at Cbus Property are eligible to have their performance considered for this plan.

The scheme is a deferred one with payments made progressively over a three (3) year period.

STI payments are set as a range of the base salary of an employee dependent on role and achievement of individual, team and organisational performance hurdles.

Following a review by the CPPL Remuneration Committee and CPPL Board, each August the CEO of Cbus Property makes an annual recommendation on STI payments for all specified employees to the Cbus Remuneration Committee.

The CPPL Board can approve the STI payments for non-specified CPPL employees where the STI follows the calculation methodology approved by the Fund's Board (also in August each year).

The CPPL Remuneration Committee and CPPL Board separately determine the Total Salary Package levels paid to CPPL employees (so excluding STI).

In addition to the above process, the Cbus Property CEO provides two (2) remuneration reports to the Cbus Remuneration Committee each year:

- (a) an outline of the proposed STI methodology that will cover CPPL employees for the forthcoming 12 month remuneration period, and
- (b) an outline of the implementation of the current-year's STI methodology having been implemented from the most immediate past approval of same.

Enterprise Bargaining framework:

Cbus has two industrial agreements currently operating across the organisation, both due to expire on 30 June 2016.

Cbus staff remuneration is comprised on base salary, superannuation of the SGC +7% and for some roles, annual leave loading entitlements of up to 25% for some staff dependent on the negotiated conditions outlined in the relevant enterprise agreement that set out terms and conditions of employment with the Fund.

As a benefit, salary continuance (income protection) insurance premiums are also paid on behalf of staff on top of the total reward paid to staff.

CEO Remuneration:

The Cbus CEO position is appointed by the Board of Directors and the remuneration is set based on a recommendation of the Remuneration Committee to the Board of Directors, based on performance outcomes of the CEO as reviewed by the Fund Chair.

The CEO position is formally benchmarked against the market (utilising an independent external provider, commissioned by the Remuneration Committee) at least every three years. However, information is provided to the Fund Chair and Remuneration Committee annually drawing on available remuneration data to benchmark this position.

The CEO's performance is reviewed by the Fund Chair each year in June/ July, with any salary adjustments being recommended at the August Remuneration Committee meeting. In approving the CEO remuneration, the Board will consider the Committee's recommendations.

In alignment with the Standard, the Remuneration Committee can recommend to the Board the adjustment of any executive performance related remuneration increases (including the CEO) downwards to zero if appropriate, should the adjustment meet the criteria of the Standard.

The CEO remuneration (along with Executive remuneration) is currently disclosed on the Cbus website at <https://www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Executive-Remuneration-Report-2014-15.pdf>

Executive Remuneration:

Executive positions are not covered by an industrial arrangement (each executive signs a contract outlining terms and a set of common conditions) and all executive positions are measured on their performance against their outputs as set by the CEO.

Executive staff participate in a program of setting their objectives each year and their performance is reviewed against their objectives (KPIs) in July of each year, with recommendations for their salary increases (if any) going to the Remuneration Committee at their August meeting.

The CEO recommends performance based payments between 0 – 6%. These payment amounts are recommended to the August Remuneration Committee and then to the August Board meeting and pending approval are paid in the next available pay cycle.

From 1 July 2013 in alignment with the Standard, all Executive remuneration must be approved by the Board.

All recommendations for Executive salary increases will need to be **endorsed** by the Remuneration Committee before submission to the Board for approval.

The Remuneration Committee has free and unfettered access to “risk and financial control” personnel in the carrying out of their duties and also may engage third-party experts directly, in a manner that ensures any engagement (including the advice received) is independent.

The Executive team salaries (including the CEO) are currently disclosed on the Cbus website at <https://www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Executive-Remuneration-Report-2014-15.pdf>

Directors Remuneration:

Cbus Directors, Cbus Property Directors and any Alternate Directors will receive competitively benchmarked remuneration for their work, having due regard to their specific responsibilities and the nature and objectives of the Fund.

The Cbus Remuneration Committee is responsible for reviewing and setting Directors fees for all group entities each year.

The Committee must ensure that Directors’ fees are appropriate and suitably reflect current industry practice, the complexity of the Boards’ work programs and responsibilities, and the Fund’s performance.

The fees are also be externally benchmarked against peer Funds and other similar financial institutions at least every 3 years.

For the forthcoming financial year, the Remuneration Committee makes a remuneration recommendation to the Fund’s August Board meeting each year, following their meeting in June.

Cbus Directors are currently paid a base fee (which is paid regardless of attendance) and an additional attendance fee for meetings attended. The attendance fee paid at Committees will vary depending on whether a Director is a member or Chair of a Committee.

The following confirms when Directors are paid for their services to the Fund:

- a) Directors will be paid their annual attendance fee on a quarterly in arrears basis;
- b) Subject to the following conditions Directors will be paid an additional sitting fee for their attendance at all Board and Committee meetings, including special purpose Board Sub-Committees;
- c) Per the Fund Governance Policy, Directors are required to attend the entire duration of all scheduled meetings. Where it is not possible for a Director to attend an entire or the majority of a meeting, they will be paid a percentage amount based on the approximate timing of their departure. Where a part payment is to be made, the Secretariat will advise Finance of the Director’s percentage attendance and the sitting fee will be adjusted accordingly.
- d) Where the Fund provides free training in-house to Directors as part of an already scheduled Board or Committee meetings, they will not be paid an additional sitting fee to attend the training (be it in person or via telephone).
- e) Where the Fund provides free training in-house outside of the Board and Committee calendar, Directors will not be paid a sitting fee to attend the training (this is on the basis that the Director must invest their own time in meeting requisite educational standards to be a Trustee director). However, travel and accommodation costs will be paid/reimbursed if the Director’s attendance in person at such events is directly aligned to their position at Cbus.

- f) Where a Director attends relevant industry conferences or courses, unless the Fund pays for all costs upfront, the Director will be reimbursed for any travel to the event and for an appropriate amount of accommodation and associated expenses. The Director will not receive remuneration for their attendance at any external training event.
- g) Directors are paid to attend the annual Board Strategy Offsite – one (1) sitting fee will be paid for the duration of the Offsite regardless of its duration. When the Offsite is held directly after a Trustee Board meeting, Directors will be paid for the Board meeting and one (1) sitting fee for the Offsite.
- h) Board Sub-Committee Directors will be paid a sitting fee based on their preparation, contribution and attendance at any meeting held during the tenure of the subject forum.
- i) The Chairs of the Fund and the Board Committees will be paid for their preparation, contribution and attendance at any Meeting of the Chairs held throughout the year.

Cbus Property Directors are currently paid an annualised fee which is published in the Cbus Annual Report.

The Cbus Director fees are currently disclosed on the Cbus website at <https://www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Board-Remuneration-Report-2014-15.pdf>

External Board or External Committee fees

Where a Cbus or Cbus Property Director has (or will be) appointed for an extended period to an external board, forum, committee or working party representing the Fund, then at the commencement of this appointment a determination will be made if a fee will be payable for the duration of the sitting period. Any recommendation will be made by the Remuneration Committee and submitted to the Board for approval.

This determination will take into consideration any fee arrangement proposed to be provided by other relevant parties (for example, a fund manager may provide a fee for attendance and input at an external Investment Committee) so that no double or overpayment occurs.

If (after the determination) a fee is to be paid by Cbus, then it will be paid in accordance with the current fee schedule and will be dependent on whether the sitting Director is a member or chair of the external Board, forum, committee or working party.

Should a Cbus Director be required to sit on an external board as part of an investment related or other strategy related structure, then Cbus will seek to ascertain if a fee can be reimbursed by the organisation calling for input. In the absence of any fee paid, then Cbus will pay a sitting fee to the required Director at the member rate, unless the Cbus Director is the chair of said board, forum, committee or working party and then the chair rate will be used.

Any remuneration application will be determined at the commencement of any appointment and this will be made in consultation by the Chair with the affected Director based on a recommendation of the time commitment required and endorsed to the Board by the Remuneration Committee. It is anticipated that at the commencement of the term the program of activities would be tabled for assessment.

The nominated Director will be required to notify the Fund in writing of attendance at meetings or working parties that would attract the fee and this will be reconciled with the intended scope set with the Chair at the commencement of the appointment.

Any payments will be made quarterly in arrears in line with current payment practices. Remuneration will be disclosed as part of total remuneration paid in line with current practices.

Set Director Fees

The Chair of the Board (at both Cbus and Cbus Property) and the Independent Director at Cbus are all paid a set annual fee.

Reimbursement of Expenses

The Remuneration Committee will approve the parameters for the reimbursement of Cbus Directors for expenses relating to the performance of their duties. Cbus Property will review and apply their own internal policies in this regard.

Review of the Cbus Remuneration Policy

The Remuneration Policy will be subject to regular review to ensure that it remains appropriate for the Fund and an assessment will be made of the Policy's effectiveness and compliance with the requirements of the Standard on an annual basis.

The Policy may be varied from time to time in accordance with various legislative requirements or to reflect internal changes. Recommendations for any changes will be made to the Board concerning any material changes to the Policy. A full review of the Policy will be undertaken at least every three years.

Related Policies Or Materials

- *Draft Prudential Practice Guide SPG 511– Remuneration*
- *Prudential Standard SPS 220 Risk Management*
- *Prudential Standard SPS 521 – Conflicts of Interest*
- *Principles for Sound Compensation Practices – Implementation Standards* issued by the Financial Stability Board (FSB)