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# Remuneration Policy

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## Purpose

This Policy sets out the terms of MyState Limited's remuneration arrangements including composition of remuneration packages, the processes required to approve remuneration, including the determination of variable remuneration, and the oversight and monitoring of remuneration outcomes. Appendix A provides a summary of MyState Limited's approach to managing remuneration.

The Group People, Remuneration and Nominations Committee (GPRNC) exercises governance over this Policy on behalf of the MyState Limited Board.

- » Embed individual contribution to risk management, demonstration of the values and purpose, and leadership impact, into performance assessment.
- » Reinforce accountability, the importance of taking responsibility, and acting diligently and honestly in the pursuit of business performance and employee engagement.

The implementation of this Policy will be supported through the capability of people leaders to manage for performance across financial and non-financial measures, rewarding good outcomes for the Group's customers and clients. The Company will educate employees on the relationship between reward and performance, particularly as it relates to the downward adjustment of variable remuneration as a result of adverse risk or conduct outcomes.

## Scope

This Policy applies to the Group (MyState Limited (MYS), MyState Bank (MSB) and TPT Wealth Limited (TPTWL) ("the Company")), its Non-Executive Directors and employees.

## Regulatory framework

This Policy demonstrates adherence to relevant laws, prudential standards and guidance, including the applicable requirements of Australian Prudential Regulatory Authority (APRA) Standards and the Financial Accountability Regime (FAR). The design of variable remuneration for retail banking also takes into account our ongoing commitment to the Sedgwick reforms. As an ASX listed entity, remuneration governance recommendations from the ASX Corporate Governance Council are considered in the development of this Policy.

In the event that there is an inconsistency between this Policy and an existing employment agreement (including the plan rules of the Executive Long Term Incentive Plan), the employment agreement will prevail to the extent of the inconsistency subject to the APRA Standards, the FAR and other applicable laws.

## Board discretion

Subject to this Policy, the Board has complete discretion over setting the remuneration of all applicable parties bound by this Policy, in addition to approving the payment of any eligible reward or incentive payment.

## Objectives

The objectives of the MYS Remuneration Policy are to:

- » Balance the interests of stakeholders (including customers, shareholders and staff) and the sustained performance and security of the Group as a listed entity and prudentially regulated business.
- » Provide a considered balance between the capacity to pay and the remuneration required to attract and retain capable staff at all levels.
- » Reward performance that leads to favourable customer experiences and positive results for shareholders through alignment of the business plan, strategic objectives and risk management framework.

## Principles

The principles that underpin remuneration design are as follows:

- » Any change to remuneration for any employee, or any remuneration package for a new employee, is to be approved by a manager at least one level above the reporting manager.
- » No employee is involved in deciding their own remuneration.
- » Measures of employee performance are appropriately balanced between financial and non-financial indicators.
- » Variable performance based pay for eligible employees is measured against a scorecard, set at the beginning of the performance period, and allows for downward adjustment (including to zero) for conduct that causes a risk to the reputation or viability of the Company. This may include:
  - a significant failure of financial or non-financial risk management;
  - a significant breach of accountability or compliance obligation;
  - any event that causes significant adverse action for customers or clients.
- » An employee subject to an investigation for allegations of misconduct will not be eligible to be awarded any variable remuneration until the investigation is closed.
- » The performance measures for variable remuneration are chosen and weighted to best align the individual's reward to Company objectives and its overall long term performance. Each measure cannot represent less than 10% of the overall result to avoid diluting the impact of incentives.
- » Structure remuneration for risk and financial control personnel, including performance based components, as not to compromise the independence of these personnel in carrying out their functions.
- » The exercise of Board discretion (subject to this Policy and applicable law and regulation) in the assessment and application of malus (reduction or forfeiture) or clawback of incentives (whether vested or unvested) as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of shareholders and customers.

## Non-Executive Directors

The Company's Non-Executive Directors receive only fees (including superannuation) for their services. These fees may be taken as Shares (fully paid ordinary shares in MyState Limited) subject to prior shareholder approval, where required. The Non-Executive Directors are not entitled to receive any benefit on ceasing to hold office by retirement or resignation, other than superannuation.

## Specified Roles

The Managing Director/CEO, and Executives reporting to the CEO are determined to be Executive Directors and Senior Managers. On recommendation from the GPRNC, the Board will approve the remuneration terms for the Managing Director/CEO, including variable remuneration outcomes (subject to shareholder approval as applicable). On the recommendation of the Managing Director/CEO and GPRNC the Board will individually approve the remuneration terms and variable remuneration outcomes for the people who occupy these roles.

A material risk taker role is defined as an individual whose activities have a material potential impact on the entity's risk profile, performance and long-term soundness. On the recommendation from the Managing Director/CEO and the GPRNC, the Board will approve the variable remuneration outcomes for material risk takers. The Treasurer occupies a role defined as material risk taker.

Risk and financial control personnel is defined as Managers reporting to the Chief Risk Officer or Chief Financial Officer, whose primary role is in risk management, compliance, or financial control and who are engaged on employment terms determined by a common law contract. On the recommendation from the Executive, the Managing Director/CEO will individually approve the remuneration arrangements for these roles. On recommendation from the Managing Director/CEO and GPRNC, the Board will approve the aggregate pool of incentives for this cohort.

## Remuneration Arrangements for the Managing Director/CEO and Executives

Remuneration packages for the Managing Director/CEO and Executives are based on a notional Total Target Reward (TTR) which from time to time may comprise one or more of the following:

1. Total fixed reward (inclusive of superannuation and other benefits) (TFR);
2. Cash based short term incentives (STI); and
3. Equity based long term incentives (LTI).

The remuneration of the Managing Director/CEO and Executive positions will be reviewed annually by the GPRNC. At its discretion, the GPRNC will seek external advice on the appropriate level and structure of the Managing Director/CEO's and Executives' TTR, including assessment against comparable market data.

Similarly, the Managing Director/CEO may seek external advice on the appropriate level and structure of Executives' remuneration packages, including assessment against comparable market data.

The policy of the Company is to:

- » Engage the Managing Director/CEO on terms approved by the Board;
- » Employ Executives on terms recommended by the Managing Director/CEO and approved by the Board; and

- » Provide for notice of termination and/or termination payments, as detailed in relevant employment agreements, with a maximum of 6 months TFR.

Where the termination is initiated by the Company, STI and LTI entitlements are assessed in accordance with the Remuneration Policy, plan rules and employment agreements, and may be paid for any pro-rata period of a year up to the termination date.

## Remuneration Arrangements for Non-Specified Roles

The remuneration terms for non-specified roles are recommended by the relevant Executive within a framework and guidelines approved by the Managing Director/CEO and coordinated by the General Manager People, Community and Public Affairs.

The General Manager People, Community and Public Affairs may seek external advice on the appropriate level and structure remuneration for non-specified roles.

For non-specified roles employed under a common law contract, the remuneration packages are based on Total Employee Reward (TER) comprising:

1. Total fixed reward (inclusive of superannuation and salary sacrifice) (TFR); and
2. Cash based short term incentives (STI).

For non-specified roles employed under the MyState Limited Enterprise Agreement, the remuneration packages are based on:

- 1) Base salary
- 2) Superannuation
- 3) Any other applicable terms as determined by the Enterprise Agreement
- 4) Cash incentive relevant to role.

## Structure of Remuneration

**Incentives paid as cash; Short Term Incentive (STI), Company Performance Bonus (CPB), quarterly incentives for specialised roles.**

The STI and CPB is calculated as a percentage of salary and is payable annually in respect of each financial year as cash and/or superannuation contributions. For the Managing Director/CEO and Executives, the maximum STI is determined by the Board. For all other employees, the maximum STI is determined by the Managing Director/CEO.

Each year, the GPRNC sets the Key Performance Indicators (KPIs) for the Managing Director/CEO who, in turn, sets KPIs for Executives, subject to approval by the Board following a recommendation from the GPRNC.

At the end of the financial year, the GPRNC assesses the performance of the Managing Director/CEO against the KPIs for the financial year and makes a recommendation to the Board as to the Managing Director/CEO's STI payment.

Following the end of the financial year, the Managing Director/CEO assesses the performance of the Executives against their KPIs for the financial year. Based upon those assessments, a recommendation for each Executive is made to the GPRNC as to the STI payment. The GPRNC recommends the STI payments to be made to the Executives.

In assessing the STI scorecard threshold performance levels for risk and compliance, Executive behaviour standards and profit and loss must be met or exceeded for payments to be made under the

STI program. Executives are assessed as a group with reference to performance on net profit, and on risk and compliance – including corporate reputational matters. Individual Executive behaviours are assessed against the MyState values and individual Executive risk and compliance accountabilities are measured via a scorecard comprising several indicators. Executives who are an accountable person under FAR are also assessed against their FAR accountability obligations. The GPRNC consults with the Group Risk Committee (GRC) to interrogate risk considerations in determining variable remuneration outcomes. Input from the Managing Director/CEO, Chief Risk Officer and any other relevant management representation may be sought through this process.

The STI recommendations of the GPRNC in relation to the Managing Director/CEO and Executives are then submitted for approval by the Board. Approval of a STI to the Managing Director/CEO or Executives is at the complete discretion of the Board.

The Managing Director/CEO recommends the individual STI payments for material risk takers, the aggregate STI payments for risk and financial control personnel, and the aggregate STI payments for non-specified roles to GPRNC. The GPRNC in turn recommends individual and aggregate payments to the Board for approval. STI KPIs and individual STI payments for this cohort are approved by the Managing Director/CEO. Payment of STIs is at the complete discretion of the Company.

Any decision for a STI reward can be reviewed by the GPRNC and the Board on the basis of new information, and on the basis of a reassessment of any information on which the decision was originally made. If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, error, misrepresentation or act or omission, in each case which the GPRNC or the Board (acting reasonably) considers would have resulted in the KPIs not being satisfied or there is otherwise a reward decision incorrectly made, the Board may require repayment of the whole or any part of the relevant STI, in addition to taking any other disciplinary actions.

Payment of a STI to an accountable person is subject to the Board being satisfied that payment may be made under the FAR or any applicable prudential or regulatory rule.

Maximum percentage of the CPB, is agreed in the Enterprise Agreement. Each year, the Managing Director/CEO recommends the CPB performance measures to the GPRNC, who in turn recommends approval to the Board. At the conclusion of the performance period the Managing Director/CEO makes an assessment against the performance measures and recommends the aggregate CPB payment to the GPRNC, who in turn makes a recommendation to the Board for approval. Individual CPB payments for this cohort are approved by the Managing Director/CEO. The payment of a CPB is at the complete discretion of the Company.

Specialist cash incentive payments are paid on a quarterly basis against scorecard performance. These incentives are assessed by the accountable Executive with oversight from the Group Manager People, Community and Public Affairs.

### Executive Long Term Incentive Plan (ELTIP)

The ELTIP was established by the Board to encourage the Executive Management Team, comprising the Managing Director/CEO and participating Executives, by allowing them to be rewarded with Shares for helping to create long term value for the Company's shareholders. Offers are in the form of performance rights that, on vesting, would deliver to participants one Share for each vested performance right (subject to any possible reduction or forfeiture in accordance with this Policy or the ELTIP). To achieve this aim, participating Executives are allocated fully paid ordinary Shares in the Company without payment on their part, only if performance criteria specified by the Board are satisfied in a set performance period.

Each year, an offer may be made to individual members of the Executive Management Team as determined by the Board. The maximum value of an offer to an individual member is determined as a percentage of their TFR. Maximum percentages used for the Managing Director/CEO and participating Executives will be determined by the Board from time to time. The maximum value

of the offer is converted into a number of fully paid ordinary Shares or performance rights based upon the Volume Weighted Average Price (VWAP) of Shares calculated over the period of twenty (20) trading days leading up to the opening date of the performance period in which the offer is made (30 June). The number of Shares or performance rights that may deliver Shares is then nominally fixed.

In order for the number of Shares or performance rights to vest, certain performance criteria must be satisfied within a predetermined performance period. Both the performance criteria, and the performance period are set by the Board, at its absolute discretion. The Board has, for the time being, set the three financial years commencing with the beginning of the financial year in which an offer is made under the plan as the performance period, with relative Total Shareholder Return (TSR) and Statutory Return on Equity (ROE) as the performance criteria. With respect to the TSR component, this will be measured against the performance of the ASX 300 as determined by the Board. The Board has the discretion to change this benchmark group from time to time, in accordance with its discretion in the Plan Rules. For the purpose of calculating the TSR of MYS and each company in the comparator group, the start price will be determined by the 20 (trading) day VWAP leading up to the 30 June prior to the commencement of the performance period, the closing price will be determined by the 20 (trading) day VWAP up to 30 June at the conclusion of the performance period. With respect to the ROE component, the Board has the discretion to adjust for one off items.

At the end of the performance period, or as soon as possible after, the Board will determine at its complete discretion the number of Shares or performance rights that have vested and the number of Shares to which the Managing Director/CEO and participating Executive may become entitled under the terms of the relevant offer and ELTIP rules.

The Board has also set a period of five years from commencement of the performance period before making an allocation of Shares to an Executive where the applicable performance criteria are met, creating a deferral period of a further two years between the conclusion of the performance period and the allocation of Shares.

On accepting an ELTIP offer made by MYS, participating Executive are required to not hedge their economic exposure to any allocated non-vested entitlement. Failure to comply with this directive will constitute a breach of duty and may result in forfeiture of the offer and/or dismissal.

Any reward that may be delivered to the Managing Director/CEO and participating Executive on satisfaction of the performance criteria under any ELTIP offer is subject to reassessment and possible reduction or forfeiture, during the deferral period (or earlier in the performance period), if the Board considers an adjustment event has occurred (as described in the ELTIP). This enables the Board to adjust variable remuneration (potentially to zero) if such adjustments are necessary to, among other things, protect the financial soundness of the Company or respond to significant unexpected or unintended consequences that were not foreseen by the Board.

In addition, where a participating Executive is also an accountable person under the FAR, the delivery of Shares to the Executive (and/or any associated payment) will be subject to the Board's positive assessment that their accountability obligations have been met. The number of Shares that may be allocated (and/or value of any associated payment) may be reduced or cancelled to the extent that the Board determines the accountability obligations have not been met.

Allocation of Shares to the Managing Director/CEO and eligible Executive is ultimately at the complete discretion of the Board.

The ELTIP rules provide for an independent Trustee to act at the direction of the Company, and the Trustee may acquire and hold Shares on behalf of Executives that have received an allocation of Shares. The participating Executive cannot transfer or dispose of Shares before they have been allocated to them, which will not occur until the end of the deferral period specified in the ELTIP rules or relevant offer. A direction to the Trustee to allocate Shares to each eligible Executive will be made in accordance with their entitlement under the relevant offer and ELTIP rules.

Any Shares or Performance Rights to be allocated to the Managing Director/CEO under this Plan require shareholder approval in accordance with ASX Listing Rules.

### Commencement of employment during a financial year

Where an Executive commences employment with the Company post 1 July in a given year, the following conditions will apply in respect of ELTIP:

- » Upon recommendation by the Managing Director/CEO, and if deemed eligible by the Board, the Executive shall receive a pro rata offer for that year, unless that person commences employment between 1 April and 30 June in which case they shall not be entitled to receive an offer for that financial year; and
- » Calculations for ELTIP entitlements in terms of the 20 day VWAP, must be consistent with the offers for that year, irrespective of the date that an employee commences or to whom an offer to participate is made.

### Cessation of employment

On separation from the Company, participants will be eligible to receive Shares only if the separation is due to a Qualifying Reason<sup>1</sup> – If this separation occurs within the three year performance period, subject to this Policy and the ELTIP and/or relevant offer, Shares will be allocated on a pro-rata basis (by reference to the proportion of the performance period worked) and subject to applicable performance assessment which will occur at the end of the performance period along with all other participants subject to meeting the 12 month employment hurdle that applies to any ELTIP offer.

The allocation of Shares to any ELTIP participant where the Executive is an accountable person and/or any associated payment is subject to the FAR, any replacement accountability regime or any applicable prudential or regulatory rule. Shares will not be delivered to ELTIP participants, or any payment made, to the extent it would cause the Company to contravene its applicable obligations.

### Entitlement to dividend income on Shares

During the period that allocated Shares for a participating Executive are held by the Trustee, the participating Executive is entitled to receive the income arising from dividend payments on those Shares and to have the Trustee exercise the voting rights on those Shares in accordance with their instructions.

For the avoidance of doubt, for ELTIP offers made after 1 July 2018, the Company will not direct the Trustee to allocate the Shares to the participating Executive's account during the specified 2 year deferral period. The 2 year deferral period commences after the end of the relevant performance period. During this period, such participants have no entitlement to any dividends or voting rights in respect of the Shares.

## Financial Accountability Regime

MyState accountable persons are registered with APRA. Any entitlement to variable remuneration will be subject to deferral, reduction or forfeiture under the FAR even if performance criteria have been met.

### Variable remuneration

Variable remuneration for purposes of the FAR is the portion of an accountable person's total remuneration as is conditional on the achievement of objectives. Variable remuneration is subject to modification by APRA as it can specify by written notice to the Company and Subsidiaries that remuneration of a particular kind of an accountable person is or is not variable remuneration.

1 A Qualifying Reason as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as determined by the Board in its absolute discretion may determine.

The FAR requires authorised deposit-taking institutions (including the Company) to defer payment of a minimum of 40% of variable remuneration for a minimum period of 4 years. The requirement for variable remuneration to be deferred does not apply if the amount that would be deferred is less than AUD \$50,000.

The deferral period is subject to extension as determined by the Board or reduction as determined by the Board and approved by APRA. At the end of the applicable deferral period, any entitlement to deferred variable remuneration (including the allocation of Shares or any associated payment) will be assessed against each individual meeting their accountable person obligations. If an accountable person fails to comply with his or her accountability obligations, their deferred variable remuneration will reduce by an amount that is proportionate to the failure or may be cancelled, as determined by the Board.

## Managing Director/CEO Minimum Shareholding Requirement

A Minimum Shareholding Requirement (MSR), in the absence of approval from the Board to the contrary, will apply to the Managing Director/CEO. The MSR will be 50% of TFR and must be achieved within 4 years of appointment.

Any Shares subject to deferral (including Shares which may be allocated in respect of awarded performance rights), will be recognised for the purposes of Managing Director/CEO MSR.

The Shares in MYS (ASX code: MYS) may be held directly or indirectly, and may include Shares obtained prior to commencement of employment and/or Shares acquired through ELTIP or any other scheme.

The value of the shares held for the purpose of calculating the MSR will be determined by the price of the shares at time purchase, or the "issue price" in the case of any shares acquired under the ELTIP.

<sup>1</sup> A Qualifying Reason as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as determined by the Board in its absolute discretion may determine.



# Non-Executive Director Minimum Shareholding Requirement

Non-Executive Directors, in the absence of approval from the Board to the contrary, are required to acquire and maintain, directly or indirectly, Shares in MYS to the equivalent of one year's pre-tax base Director's fee. The Non-Executive Director MSR must be achieved within four years of their appointment. The value of the shares held for the purpose of calculating the MSR will be determined by the price of the shares at time purchase.

# Appendix A – MyState Limited Remuneration Arrangements

Category	Employment instrument	Remuneration mix			Approval process		
		Fixed	Variable		Employment terms	Variable remuneration	
						Recommending	Approving
Non-Executive Directors	Letter of appointment	Fixed fees and statutory superannuation – limited to aggregate pool approved by Shareholders	N/A	N/A	Board	GPRNC	Board In the case of aggregate fees – Shareholder approval
Managing Director / CEO	Common law contract	Total Fixed Remuneration	Short term incentive Paid as cash	Long term incentive Paid in performance rights	Board (on the recommendation from the GPRNC)	GPRNC	Board
Executives (specific roles)					MD / CEO	By the MD / CEO to GPRNC on an individual basis	
Risk & financial control and material risk taker personnel (specific roles)							
Senior Managers							
Managers & staff	Enterprise agreement	Base salary + super	N/A	Executive / Senior Manager	Relevant Executive	Executive in consultation with GM PCPA	
Staff							Company Performance Bonus paid as cash
Lending staff							Incentive program paid as cash

## Version Control

Version Number	Date Approved	Brief Description	Change Author	Approver
5.0	16/08/2018	Policy Review	GM People & Culture	Board
5.1	20/06/2019	Commencement of the BEAR, alignment of ETLIP and BEAR provisions, deferral of STI, and other updates	GM People & Culture	Board
5.2	16/07/2020	Alignment of parties bound to CPS 510	GM People & Culture	Board
5.3	21/08/20	Minor amendments for clarity	GM People & Culture	Board
5.4	18/02/21	ELTIP update introducing performance rights	GM People & Culture	Board
5.5	10/08/21	ELTIP amendments for operational clarity and consistency	GM People & Culture	Board
5.6	29/04/22	Annual review for compliance with Corporate Governance Principles (4th edition), CPS510 and editorial updates	GM People, Community and Public Affairs	Board
5.7	19/07/23	Annual review. Inclusion of CPS511	GM People, Community and Public Affairs	Board
5.8	01/06/24	Annual Review and update to reflect transition from BEAR to FAR	GM People, Community and Public Affairs	Board



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