

**MyState**  
LIMITED  
ABN 26 133 623 962

Incorporating the  
requirements of  
Australian Prudential  
Standard 330

YEAR ENDED

**30 JUNE 2015**

Remuneration  
Disclosures

## GLOSSARY OF KEY TERMS

To assist readers, key terms and abbreviations used in this report as they apply to the Group are set out below.

Term	Definition
Board	The Board of Directors at MyState Limited.
Senior Managers	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including Directors (whether executive or otherwise) of that entity.  For the MyState Limited Group, this includes the CEO and all Group Executives, as well as other Senior Managers identified as having the responsibilities identified above. (non-executive directors are not subject to the prudential disclosures)
Key Performance Indicators (KPIs)	Quantitative and qualitative measures, agreed to at the start of the performance year to drive performance to both short term and long term outcomes.
Short Term Incentive (STI)	Remuneration paid with direct reference to the Group and the individual's performance over one financial year.
Executive Long Term Incentive Plan (ELTIP)	A remuneration arrangement which grants benefits to participants that may vest if, and to the extent that, performance hurdles are met over a period of three or more years.
Fixed Annual Remuneration (FAR)	Consists of base remuneration plus employer contributions to superannuation.
Total Remuneration	The total combination of FAR and variable remuneration (STI and LTI and ELTIP) that an employee has potential to receive if they achieve target performance objectives.
Variable Remuneration	Performance-based remuneration, which includes short term incentives that reward performance over the financial year, and long term incentives that reward performance over a longer term.
Executive Management Team (EMT)	The Managing Director and Executives directly reporting to the Managing Director

# ANNUAL REMUNERATION DISCLOSURE

AS AT 30 JUNE 2015

The following remuneration disclosures have been prepared by MyState Limited Group ('The Group') in accordance with the Australian Prudential Regulatory Authority's (APRA) requirements. Under prudential standard APS 330 Public Disclosure (APS330) and board approved policy.

The APS330 prudential standard requires locally incorporated authorised deposit-taking institutions (ADIs) to meet minimum requirements for the public disclosure of information on their risk profile, risk management, capital adequacy, capital instruments and remuneration practices so as to contribute to the transparency of financial markets and to enhance market discipline.

This prudential disclosure is separate to the existing Remuneration Report requirements applicable to all listed companies under the *Corporations Act 2001*, which covers only Key Management Personnel (KMP).

The quantitative information relates to Senior Managers of the MyState Limited Group for the financial year ending 30 June 2015. Senior Managers for the purpose of this report are deemed to include the Managing Director, the Executive Management Team and responsible persons. There are currently 11 employees within this group at MyState.

It is deemed that MyState Limited do not have any employees that fit the definition of Material Risk Takers. The information contained within this disclosure is based on information that is consistent with information provided to the Group's external auditor. However, the information reported is provided for regulatory disclosure purpose and is not comparable to accounting reporting or any other information disclosed elsewhere by the Group.

## GROUP REMUNERATION COMMITTEE (GRemC)

### SCOPE

The Board has established a Group Remuneration Committee that assists the Directors in discharging the Board's responsibilities in relation to remuneration and human resource responsibilities by reviewing and making recommendations to the board on:

- Remuneration policy and arrangements for Directors, the Managing Director and other Executives, having regard to comparative remuneration in the financial services industry and independent advice, including assessment of the Remuneration Policy's effectiveness and compliance with the requirements of APRA Prudential Standards;
- Applicable Human Resource Policies and Practices and ratification of Industrial instruments, to ensure compliance with all legal and regulatory requirements;
- Matters such as the Company's Employee Share Scheme or other incentive schemes for Executives and staff; and
- Succession planning, to ensure the Company has sufficiently skilled staff to competently perform their roles.

The Group Remuneration Committee monitors the potential for actual or perceived conflict of interest regarding Executive Director involvement in Board decisions on remuneration packages and also in monitoring the involvement of Management generally in Committee discussions and deliberations regarding remuneration policy. No Executive is directly involved in deciding their own remuneration.

## COMMITTEE MEMBERS AND REMUNERATION

	Annual Fee Payable for Position	Incumbent	2015 FY Meetings Attended	2015 FY Meetings Held
Chairman	\$12,500	Mr P Armstrong	7	7
Committee members	\$5,000	Mr M Hampton	7	7
	\$5,000	Mr S Lonie	7	7

## EXTERNAL ADVISORS TO THE COMMITTEE 2015FY

Advisor	Scope of Advice
Price Waterhouse Coopers	Advice regarding Executive or Senior Manager Remuneration
Committee members	Advice regarding ELTIP Plan

## OBJECTIVES

The role of the GRemC is to assist the Board in fulfilling its responsibilities in relation to the development, adoption and implementation of Remuneration and Human Resources Policies and related matters. All such policy is to satisfy legal and regulatory requirements to protect the Company from liability, improve organisational effectiveness and assist in the attainment of business goals.

The Committee is vigilant in monitoring the potential for, or perception of, conflict of interest regarding Executive Director involvement in Board decisions on remuneration packages and also in monitoring the involvement of Management generally in Committee discussions and deliberations regarding remuneration policy. No Senior Manager is directly involved in deciding their own remuneration.

The committee's full charter is available at [mystate.com.au](http://mystate.com.au).

## REMUNERATION PHILOSOPHY

The fundamental objective of the Company's Remuneration Policy is to maintain behaviour that supports the sustained financial performance and security of the Group and to reward Executive and Management efforts which increase shareholder and customer value.

The Remuneration Policy is premised on:

- Appropriately balanced measures of performance;
- Variable performance based pay for Executives involving short and long-term incentive plans;
- Recognition and reward for strong performance;
- A considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- Short-term and long-term incentive performance criteria are structured within the overall risk management framework of the Company
- The exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interest of the shareholders.

In accordance with best practice corporate governance, the structure of Non Executive Director remuneration is separate and distinct from Executive remuneration.

The company links the nature and amount of Executive Management Team (EMT) remuneration to its financial and operational performance. The remuneration of the EMT is based on a package which from time to time may comprise one or more of the following;

- Fixed annual reward (inclusive of superannuation and fringe benefits) (FAR);
- Cashed based short term incentives (STI); and
- Equity based long term incentives (LTI).

#### SENIOR MANAGERS

The remuneration packages of the Senior Managers are recommended by the relevant Executive within a framework and guidelines approved by the Managing Director and coordinated by the General Manager Human Resources and Property. The General Manager Human Resources and Property may seek external advice on the appropriate level and structure of Senior Manager Remuneration. Any change to remuneration for any employee is to be approved by a Manager at least one level above the reporting Manager.

Remuneration packages at this level are based on Total Employee Reward (TER) comprising:

- Fixed annual reward (inclusive of superannuation and salary sacrifice) (FAR); and
- Cashed based short term incentives (STI)

#### FIXED ANNUAL REMUNERATION (FAR)

The FAR is paid by way of cash salary, superannuation and salary sacrificed fringe benefits and is reviewed annually by the GRemC. In addition, external consultants provide analysis and advice to the Committee to ensure that Executives' remuneration is competitive in the marketplace. It reflects the complexity of the role, individual responsibilities, individual performance, experience and skills. The total employment cost of the remuneration package, including fringe benefits tax, is taken into account in determining an employee's FAR.

#### SHORT TERM INCENTIVE (STI)

The STI is calculated as a percentage of the FAR and is payable annually in respect of each financial year as cash and/or superannuation contributions. As a general guide, noting that the board has absolute discretion to vary, the maximum STI awards, expressed as a percentage of FAR, are as follows:

- Managing Director – up to 50% of FAR;
- Executive - between 15% and 30%.

Payment of STI is conditional upon the achievement of pre-determined performance criteria tailored to the respective role.

Each year, the GRemC sets the KPI's for the Managing Director who, in turn, set the KPI's for Executives, subject to approval of the Board following a recommendation from the GRemC. The GRemC selects performance objectives which provide a robust link between Executive reward and the key drivers of long term shareholder value.

The KPI's generally are measures relating to Company and personal performance accountabilities and include financial, strategic, operational, cultural and customer/stakeholder measures. The measures are chosen and weighted to best align the individual's reward to the KPI's of the Company and its overall long term performance. KPIs are weighted towards the achievement of profit growth targets.

At the end of the financial year, the GRemC assesses the performance of the Managing Director against the KPI's set at the beginning of the financial year.

At the end of the financial year the Managing Director assesses the performance of the Executives against their KPI's set at the beginning of the financial year. Based upon that assessment, a recommendation for each Executive is made to the GRemC as to the STI payment.

The GRemC recommends the STI payments to be made to the Managing Director and Executives for approval by the Board. Approval and payment of an STI to the Managing Director or Executives is at the complete discretion of the Board.

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, the board may require repayment of the relevant STI, in addition to any other disciplinary actions.

#### EXECUTIVE LONG TERM INCENTIVE PLAN (ELTIP)

The ELTIP was established by the Board to encourage the Executive Management Team, comprising the Managing Director and participating Executives to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to the participating Executives of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the ELTIP, an offer may be made to individual members of the Executive Management Team every year as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the Executive Management Team. As a general guide, noting that the Board has absolute discretion to vary, the maximum percentages used are 50% for the Managing Director and between 15% and 30% for participating Executives. The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company's shares over a twenty trading day period to be determined by the Board.

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

- 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
- 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;
- Where an ELTIP participant ceases employment with MyState during a performance period due to expiration of a fixed term contract, the offer shall be assessed 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.

In order for the shares to vest in each eligible member of the Executive Management Team, 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 year in which an offer is made under the plan the performance period, with relative Total Shareholder Return (TSR) and absolute Return on Equity (ROE) as the performance criteria.

The relative TSR component will be measured against the performance of the S&P/ASX 300 Index.

Any reward payable to the Managing Director and participating Executive under any ELTIP offer is subject to reassessment and possible forfeiture if the results on which the ELTIP reward was based, are subsequently found to have been the subject of deliberate management misstatement.

The ELTIP provides for an independent Trustee to acquire and hold shares on behalf of the participating Executives. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other shareholders on market, or issue by the Company. Vesting of shares occurs once an assessment has been made after the performance period (currently 3 years) and once the Board resolves to notify the Trustee to issue entitlements under the relevant ELTIP offer.

Vesting of shares to the Managing Director and eligible Executive is at the complete discretion of the Board.

The Trustee will allocate any shares to each eligible member of the Executive Management Team in accordance with their entitlement under the ELTIP. Any shares to be allocated to the Managing Director under this Plan require shareholder prior approval in accordance with ASX Listing Rules. The Trustee will hold the shares which have been allocated on behalf of the eligible Executive Management Team member.

The participating Executive cannot transfer or dispose of shares which have been allocated to them until the earlier of the seventh anniversary of the original offer date of the grant, upon leaving the employment of the Company, upon the Board giving permission for a transfer or sale to occur, or upon a specified event occurring (e.g. change in control of the Company). Upon request, the Board will release vested shares to an Executive to the extent required to meet a taxation assessment directly related to the award of those shares.

On separation from the Company, ELTIP shares will be released only if the separation is due to a qualifying reason<sup>1</sup> or is at the initiation of the Company without cause. Effective as of the 2014 ELTIP Offer, if this separation occurs within the three year performance period, shares will be allocated on a pro-rata basis, following the completion of each application performance period and applicable performance assessment.

During the period that allocated shares 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.

On accepting an ELTIP offer made by MyState Limited, participating Executives 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.

<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 the Board in its absolute discretion may determine.

#### TOTAL REMUNERATION FOR THE 2015 FINANCIAL YEAR:

Total value of remuneration awards for the current financial year Remuneration type	Number	Unrestricted \$	Deferred \$
<b>Fixed remuneration</b>			
Cash-based		\$2,463,933	N/A
Shares and share-linked instruments		N/A	N/A
Other		N/A	N/A
<b>Variable remuneration</b>			
Cash-based	8	\$195,917	N/A
Shares and share-linked instruments	1	\$101,121	N/A
Other		N/A	N/A
<b>Guaranteed bonuses</b>	N/A	N/A	N/A
<b>Sign-on awards</b>	N/A	N/A	N/A
<b>Terminations</b>	2	713,555	N/A

#### EXECUTIVE MINIMUM SHAREHOLDING REQUIREMENT

From 1 January 2015, in the absence of approval from the Board to the contrary, a Minimum Shareholding Requirement will apply to Executives whom:

1. Receive a Fixed Annual Remuneration (FAR) greater or equal to \$250,000; and
2. Participate in ELTIP and STI programs.

The MSR will be 25% of FAR and must be achieved within 4 years of the date that the policy becomes applicable to the Executive.

The shares in MyState Limited (ASX code: MYS) may be held directly or indirectly, and may include shares obtained prior to 1 January 2015 and/or shares acquired through ELTIP or any other scheme. This includes shares vested and allocated but still held in trust, but excludes any allocated shares which have not yet vested.

## BASIS OF EMPLOYMENT

The policy of the company is to:

- Engage the Managing Director on a fixed term contract;
- Employ the Executives on continuing employment arrangements i.e. no fixed term;
- Provide a maximum termination payment of 6 months of base salary unless a breach of duty or grave misconduct has occurred. Where the termination is initiated by the Company, STI and LTI entitlements, assessed in accordance with the Reumuneration Policy, will be paid for any pro-rata period of a year up to the termination date, unless a breach of duty or grave misconduct has occurred;
- Engage an Executive on a fixed term contract under specific circumstances only: and
- Employ Key Management Personnel on a basis that requires them to hold MyState Limited shares as determined by the Board from time to time.



**MyState**  
LIMITED

Level 1

137 Harrington Street, Hobart 7000

Tasmania Australia

1300 487 155

ABN 23 133 623 962