



This report has been prepared to satisfy the Company's obligations under *APS 330* relating to remuneration disclosures for the year ended 30 June 2022.

Bodies that oversee remuneration

The Governance and Remuneration Committee is responsible for overseeing the remuneration of Directors, senior managers and any other responsible persons as defined in *CPS 520 Fit and Proper*.

Composition of Governance and Remuneration Committee

The Governance and Remuneration Committee is comprised of three independent non-executive Directors and meets at least quarterly.

Mandate of Governance and Remuneration Committee

The Governance and Remuneration Committee is primarily responsible for:

- Overseeing the implementation of relevant Board renewal and Board performance evaluation policies.
- Conducting and reviewing fit and proper assessments of Directors and the CEO.
- Reviewing and making recommendations regarding Board remuneration, direct reports of the CEO and any other person specified by APRA.
- Conducting ongoing reviews of and making recommendations to the Board on the Remuneration Policy, including an assessment of the Remuneration Policy's effectiveness and compliance with the requirements of *CPS 510 Governance*.
- Overseeing the induction process for new Directors and reviewing its effectiveness.
- Overseeing performance evaluation of the CEO.
- Administration and ongoing review of governance policies.

Scope of remuneration policy

The Company's Remuneration Policy applies to:

- The Chief Executive Officer;
- Staff that report directly to the CEO;
- Other staff whose activities may affect the financial soundness of the LLL;
- Any service contracts between the LLL and an external body, whose primary role is to provide risk management, compliance, internal audit, financial control or actuarial control services to the Company;
- Any other person specified in *CPS 510*.

Senior managers and material risk takers

The following employees are identified as Senior Managers in accordance with *CPS 510 Governance* and the LLL's Remuneration Policy:

- Chief Executive Officer
- Chief Financial Officer
- Chief Information and Transformation Officer
- Chief Relationship Officer
- Chief Risk Officer
- Company Secretary (from October 2021)
- Head of People & Culture (from January 2022)

The LLL has no other employees that it considers as material risk takers or Senior Managers in accordance with *CPS 510 Governance*.

Design and structure of remuneration process

Key features and objectives

The overall objective of the Remuneration Policy is to ensure that the CEO and senior management personnel are remunerated in a manner which does not expose the Company to undue risk.

The other objectives of the Remuneration Policy are to:

- Attract staff who are capable of supporting the risk management framework, long term stability and financial soundness of the Company.
- Attract and motivate staff who will drive the strategic and business objectives of the Company.
- Ensure transparency and fairness in the remuneration of staff.
- Ensure the independence of risk and financial control personnel as defined in *CPS 510*.

The Remuneration Policy allows for fixed, variable or performance-based remuneration. LLL's business model and culture has in the past primarily supported the payment of fixed base salaries which are subject to annual review and primarily based on the achievement of long term performance objectives.

Fixed remuneration consists of base salary, compulsory superannuation benefits and fringe benefits. In determining fixed remuneration, the Committee considers qualifications, experience, responsibilities, individual performance, leadership, industry benchmarks and market relatives.

Any performance-based remuneration is required to be paid in cash and must support sound business principles and prudent risk-taking. Performance-based remuneration is dependent upon the achievement of agreed-upon performance standards and/or financial benchmarks as approved by the Committee. The Board has discretion to reduce performance-based remuneration if necessary to protect the financial soundness of the Company, or to respond to significant adverse unexpected or unintended consequences affecting the Company.

Remuneration Policy review

The Remuneration Policy was last reviewed in May 2020 and is currently undergoing material changes to ensure alignment with *CPS 510 Governance* and alignment with market expectations to attract appropriately experienced staff.

Independence of risk and financial control personnel

The performance and remuneration of risk and financial control personnel is assessed according to objectives, qualitative and quantitative measures specific to their roles, which is independent of the business they oversee.

Remuneration is reviewed and benchmarked against the market, and internally, to ensure it is set at an appropriate level and in a manner that does not compromise their independence. Other considerations include:

- Primarily providing fixed remuneration rather than performance-based remuneration.
- Ensuring oversight of performance-based remuneration by the Committee and the CEO where applicable.



Consideration of current and future risks in the remuneration process

The table below provides an overview of the key risks that the Company considers when implementing remuneration measures.

Key risk	Key measures
Credit Risk	Portfolio mix Large exposures and credit concentrations Arrears and defaults Provisions and write offs
Interest Rate Risk	Net interest income
Liquidity Risk	Minimum Liquidity Holdings
Capital Risk	Capital Adequacy and ICAAP
Operational Risk	Compliance breaches Risk incidents Information system performance Unplanned system downtime and business outages Fraud losses
Strategic Risk	Customer satisfaction Staff satisfaction Growth of customer deposits and loan advances Altruistic and charitable benefits provided

The nature of these measures have changed during the past year but are yet to be finalised.

These measures are considered as part of performance review and review of remuneration for staff covered by the Remuneration Policy.

Linking performance with remuneration

Key performance metrics

Staff covered under the Remuneration Policy are assessed on a variety of qualitative and quantitative factors. These measures include those identified in the Key Risk table above.

Key performance indicators are designed to encourage prudent risk-taking, effective risk management, financial stability and delivery of strategic objectives.

Linkage of remuneration to institution-wide and individual performance

Key performance measures are considered during the annual review of performance-based remuneration of staff covered under the Remuneration Policy. Staff are assessed against institution-wide performance measures together with key performance measures they are individually responsible for influencing.

Adjustment of remuneration in the event that performance metrics are weak

Performance metrics are considered by the Committee during the annual review of remuneration.

Adjustment of remuneration for longer-term performance

The Company does not provide deferred remuneration or variable remuneration with vesting conditions.

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Forms of variable remuneration

The Company only provides remuneration in the form of cash payments, compulsory superannuation obligations and fringe benefits.

Quantitative information

There were four meetings of the Governance and Remuneration Committee during the financial year. Total remuneration paid to members for work conducted as members of the Governance and Remuneration Committee was \$34,300 (2021: \$37,800).

Two senior managers were paid performance based variable remuneration during the 2022 financial year and no person received performance based variable remuneration during the 2021 financial year.

No guaranteed bonuses were awarded during the 2022 or 2021 financial years.

No sign-on awards were made during the 2022 or 2021 financial years.

No deferred remuneration was paid out during the 2022 or 2021 financial years. There was no outstanding deferred remuneration as at 30 June 2022 or 30 June 2021.

There were no adjustments of deferred remuneration during the 2022 or 2021 financial years. No exposures to implicit or explicit adjustments of deferred or retained remuneration existed as at 30 June 2022 or 30 June 2021.

The total remuneration for senior managers during the financial year was as follows:

Remuneration – year ended 30 June 2022	Unrestricted \$	Deferred \$
Fixed remuneration		
- Cash-based	1,514,518	-
- Shares and share-linked instruments	-	-
- Other	-	-
Variable remuneration		
- Cash-based	55,000	-
- Shares and share-linked instruments	-	-
- Other	-	-

Remuneration – year ended 30 June 2021	Unrestricted \$	Deferred \$
Fixed remuneration		
- Cash-based	1,429,129	-
- Shares and share-linked instruments	-	-
- Other	-	-
Variable remuneration		
- Cash-based	-	-
- Shares and share-linked instruments	-	-
- Other	-	-

Note: The number of senior managers remained at 7 as of 30 June 2022.