

Remuneration Policy

How an organisation designs, governs, adjusts, defers and discloses remuneration so that it rewards sound risk management and good conduct, aligned to APRA CPS 511 and FAR. Ready to adapt for your organisation.

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How to use this industry policy. Adopt the structure and terms as written, so that your organisation speaks the same language as the rest of the industry. Fill in the text in [square brackets] with your organisation's details, keep the requirements that apply to your entity type (significant financial institution, non-significant financial institution, FAR accountable entity, AFS or credit licensee, listed company), delete those that do not, and approve the Policy through your Board. Plan rules, offer letters and employment contracts must give effect to this Policy: have them reviewed by your employment and tax advisers. Regulatory requirements are summarised as at October 2026: confirm the current requirements that apply to your organisation before relying on them. This template is general information only, provided free of charge, and is used at your own risk (see the disclaimer at the end).

Document control

Item	Detail
Document	Remuneration Policy
Organisation	[Organisation name]
Document owner	[Chief People Officer]
Approved by	[Board] , on the recommendation of the [Board Remuneration Committee] (CPS 511 paras 24 and 77)
Version / date approved	[1.0] / [date]
Review cycle	Compliance reviewed at least [annually] ; effectiveness independently reviewed at least every [three years] (CPS 511 paras 54–55, SFIs); and after any material change in size, business mix or complexity (para 58)
Related documents	the RiskFA Consequence Management Framework, the RiskFA Risk Management Framework, the RiskFA Risk Appetite Statement, [Code of Conduct] , [Board Remuneration Committee Charter]

1. Purpose

This Policy sets out how [Organisation] designs, governs, determines, adjusts, defers, pays and discloses remuneration. Its purpose is to make sure that remuneration:

- rewards sustainable performance and the effective management of financial and non-financial risks, not short-term results at any cost;
- supports good customer and member outcomes and the prevention and mitigation of conduct risk;
- has real consequences for poor risk and conduct outcomes, through downward adjustment of variable remuneration to nil where appropriate;
- attracts and retains capable people at a cost the organisation can sustain; and
- meets the legal and prudential requirements that apply to [Organisation] .

For APRA-regulated entities this Policy is the documented remuneration policy required by Prudential Standard CPS 511 *Remuneration* (para 22 for significant financial institutions; para 75 for non-significant financial institutions). The objective of CPS 511 is that APRA-regulated entities maintain remuneration arrangements that appropriately incentivise individuals to

prudently manage the risks they are responsible for, and that there are appropriate consequences for poor risk outcomes. For accountable entities under the *Financial Accountability Regime Act 2023* (FAR), this Policy is also the remuneration policy required by FAR s25(1)(b).

2. Scope and application

This Policy covers **all forms of remuneration**, regardless of where, or from whom, it is sourced (CPS 511 para 20(q)), including fixed pay, superannuation, allowances and benefits, short- and long-term variable remuneration, commissions and sales incentives, retention, sign-on and severance payments. It applies to every person who is (CPS 511 para 22(b)):

- employed directly by [Organisation] ;
- retained directly by [Organisation] under contract; or
- employed by, or a contractor of, a related body corporate or connected entity (including a service company) of [Organisation] .

It also sets the approach to identifying and mitigating material conflicts that may arise from the compensation arrangements of third-party service providers (CPS 511 para 22(c)).

If [Organisation] is	Requirements that apply (as at October 2026)
A significant financial institution (SFI) regulated by APRA	CPS 511 paras 1–20 and 21–73 (Part A). SFI is defined in APS 001, GPS 001, LPS 001 and HPS 001; for RSE licensees, total assets of all RSEs above \$30 billion, or as APRA determines (para 20(u)).
A non-significant financial institution (non-SFI) regulated by APRA	CPS 511 paras 1–20 and 74–98 (Part B). A foreign ADI, Category C insurer or EFLIC above the SFI asset threshold must also defer the variable remuneration of highly paid material risk-takers (para 84).
An accountable entity under FAR (ADIs from 15 March 2024; insurers and RSE licensees from 15 March 2025)	FAR deferred remuneration obligations (ss 25–30) and notification obligations (ss 31–32), in addition to CPS 511.
An AFS licensee that provides personal or general financial product advice to retail clients, or an employer, issuer or seller that pays them	Ban on conflicted remuneration (<i>Corporations Act 2001</i> Part 7.7A Division 4).

If [Organisation] is	Requirements that apply (as at October 2026)
A credit licensee or credit representative that is or uses a mortgage broker	Best interests duty and ban on conflicted remuneration (<i>National Consumer Credit Protection Act 2009</i> Part 3-5A).
A listed company	Remuneration report and advisory vote (<i>Corporations Act 2001</i> ss 300A, 250R, 250U-250W).
Any other financial services business	No prescribed remuneration standard. Adopt this Policy as good practice, scaled to your size.

2.1 Commencement of CPS 511

The current CPS 511 was made by determination No. 3 of 2023 and commenced on 1 January 2024, replacing the 2021 version. CPS 511 first applied to SFI ADIs (and groups headed by them) on 1 January 2023; to SFI general insurers, life companies, private health insurers and RSE licensees on 1 July 2023; and to all other APRA-regulated entities on 1 January 2024 (para 10). The disclosure requirements apply from an entity's first full financial year commencing on or after 1 January 2024 (para 11). CPS 511 does not apply to variable remuneration where the opportunity to earn it arose before the relevant commencement date (para 12).

CPS 511 does not apply to the extent it would require an entity to act contrary to the *Fair Work Act 2009*, or, for contracts governed by foreign law, applicable foreign legislation (para 8). APRA's Governance Review consultation (June 2026) proposes to move board committee requirements, including those for remuneration committees, into a consolidated CPS 510, with final standards expected in late 2026 and new requirements expected to take effect from early 2028. Check the final standards before your next review.

3. Key definitions

These definitions are taken from CPS 511 para 20 and are used in the same way throughout this Policy and the RiskFA Consequence Management Framework.

Term	Meaning
Remuneration framework	The totality of systems, structures, policies, processes and people within an entity that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of risks relating to remuneration.

Term	Meaning
Variable remuneration	The amount of a person's total remuneration that is conditional on objectives, which include performance criteria, service requirements or the passage of time.
Financial measures	Measures based on revenue, sales, profit, the entity's share price, or other measures that directly affect these. Non-financial measures are all other measures.
Specified role	A senior manager, executive director, material risk-taker (including highly paid material risk-takers) and risk and financial control personnel.
Senior manager	As defined in the Banking Act, Insurance Act or Life Insurance Act; for private health insurers, a person in paragraph (c) of the definition of officer in the PHIPS Act; for RSE licensees, as defined in SPS 520.
Material risk-taker	A person whose activities have a material potential impact on the entity's risk profile, performance and long-term soundness (and for an RSE licensee, on performing its duties and exercising its powers in the best financial interests of beneficiaries).
Highly paid material risk-taker	A material risk-taker whose total fixed remuneration (salary, superannuation, allowances and benefits) plus actual variable remuneration is \$1 million or more in a financial year.
Risk and financial control personnel	Persons whose primary role is in risk management, compliance, internal audit, financial control or actuarial control.
In-period adjustment	An adjustment to variable remuneration during the period set for measuring performance.
Malus	An adjustment to reduce the value of all or part of deferred variable remuneration before it has vested.
Clawback	The recovery of an amount corresponding to some or all variable remuneration that has been paid or vested to a person.
Vesting	The process by which a person becomes the legal owner of the variable remuneration.
Misconduct	An action or inaction that does not meet applicable legal and prudential obligations, requirements or standards of a recognised professional body, or the entity's policies and procedures on conduct and ethical standards.

Term	Meaning
Consequence management	The approach to managing performance, risk and conduct outcomes, which may include downward adjustments to variable remuneration.
Special payment	A one-off guaranteed bonus, sign-on award on recruitment, or severance award on ceasing employment (excluding statutory entitlements) (para 71).
Accountable person	A person registered as an accountable person of [Organisation] under FAR.

4. Objectives of the remuneration framework

[Organisation] 's remuneration framework must (CPS 511 para 21; para 74 for non-SFIs):

1. align with [Organisation] 's business plan, strategic objectives and risk management framework;
2. promote effective management of both financial and non-financial risks, sustainable performance and long-term soundness;
3. for an RSE licensee, promote performing its duties and exercising its powers in the best financial interests of beneficiaries; and
4. support the prevention and mitigation of conduct risk.

[Organisation] also applies these principles:

- **Risk and conduct first.** No one is rewarded for results achieved by taking risk outside appetite, by breaching the law or policy, or at the expense of customers.
- **Balanced measures.** Performance is assessed on what was achieved and how it was achieved.
- **Simplicity and transparency.** Plans are simple enough that participants understand how outcomes are set.
- **Fairness.** Remuneration is set without discrimination, and gender pay gaps are measured and addressed.
- **Long-term alignment.** For senior and higher-risk roles, a meaningful part of variable remuneration is deferred and remains at risk.

5. Governance

5.1 The Board

- The Board is ultimately responsible for the remuneration framework and its effective application (CPS 511 paras 23, 76).
- The Board approves this Policy (paras 24, 77).
- The Board approves variable remuneration outcomes for persons in specified roles: **individually** for senior managers and executive directors, and **on a cohort basis** for highly paid material risk-takers, other material risk-takers and risk and financial control personnel (paras 52, 87).
- The Board retains overriding discretion at each decision point to adjust variable remuneration downwards, to nil if appropriate (para 33(c)).

5.2 Board Remuneration Committee (required for SFIs)

For SFIs, CPS 511 requires the Board to establish a Board Remuneration Committee (paras 25–32). CPS 511 does not require a Board Remuneration Committee for non-SFIs; a non-SFI may still choose to have one, and should check CPS 510 / SPS 510 and any group requirements.

Requirement	Detail (CPS 511 paragraph)
Role	Oversees the design, operation and monitoring of the remuneration framework; is composed to exercise competent and independent judgment; has the powers it needs (para 25).
Membership	At least three members, all non-executive directors (para 26). For entities other than RSE licensees, a majority must be independent and the chair must be an independent director (para 27). For RSE licensees, the Board chair may be a member but may not chair the Committee unless the Board chair is the only independent director (para 28).
Charter	A written charter setting out roles, responsibilities and terms of operation (para 29).
Risk input	Must consult the Board Risk Committee and the CRO through a documented process , so that risk outcomes are reflected in remuneration outcomes for specified roles (para 30).
Reporting	Must obtain comprehensive reporting to determine whether outcomes of all remuneration arrangements align with the framework objectives (para 31).

Requirement	Detail (CPS 511 paragraph)
Access	Free and unfettered access to other Board committees and to risk and financial control personnel and other relevant parties; power to engage independent experts (para 32).
Guidance	Gives clear guidance to senior management on its expectations for the level and timing of risk adjustment for specified roles (para 49).
Recommendations	Recommends to the Board annually the remuneration arrangements and variable remuneration outcomes for specified roles, individually for senior managers and executive directors and by cohort for others (paras 50–51).
Group arrangements	A group Board Remuneration Committee and a group remuneration policy may be used if the conditions in para 59 are met. APRA may approve alternative arrangements (para 60).

5.3 Roles and responsibilities

Role	Responsibilities
Board Risk Committee	Provides input on risk and conduct outcomes, including the risk scorecard, risk events and the CRO's assessment, through the documented consultation process.
CEO and executive team	Propose remuneration arrangements and outcomes within this Policy; apply risk and conduct adjustments in their areas; lead consequence management.
Accountable persons (FAR, where applicable)	Meet their FAR s21 obligations. Their variable remuneration is deferred and reduced as FAR requires (section 11).
Chief People Officer	Owns this Policy; designs plans; administers deferral, vesting, malus and clawback; prepares Committee papers and disclosures.
Chief Risk Officer	Gives an independent assessment of risk and conduct outcomes for the organisation, business units and specified roles; recommends adjustments; confirms that payment or vesting is justified on risk grounds (para 45(b)).
Chief Financial Officer	Confirms the financial results and affordability of variable remuneration pools; confirms there is no significant misstatement of performance criteria.
Head of Compliance / General Counsel	Advise on compliance outcomes, regulatory obligations (including FAR and conflicted remuneration) and the enforceability of adjustment terms.
Internal Audit	Provides independent assurance over the operation of this Policy, including adjustments and vesting.
People leaders	Set balanced scorecards; assess performance and behaviour honestly; report conduct matters; explain outcomes.

6. Remuneration structure

Component	Description	Who
Fixed remuneration	Base salary, superannuation, allowances and benefits, set by reference to role size, skills, experience and [market position, e.g. median of the relevant market] .	All
Short-term variable remuneration (STI)	Annual award based on a balanced scorecard of individual, business unit and organisation performance and risk and conduct outcomes. Part may be deferred.	[Eligible roles]
Long-term variable remuneration (LTI)	Equity or equity-linked awards with performance measured over [3–4] years, vesting subject to service, performance and risk conditions.	[Executives and selected senior roles]
Deferred variable remuneration	The portion of STI or LTI that is deferred under section 10, held as [shares / share rights / cash] and subject to malus.	Specified roles; accountable persons
Special payments	Guaranteed bonuses, sign-on awards and severance awards. Used only by exception, approved by [the Board Remuneration Committee / CEO] , and disclosed (CPS 511 paras 70–71).	By exception
Frontline incentives	Where offered, based on whole-of-role performance and customer outcomes, with no direct link to sales volumes for retail staff (section 14).	[Customer-facing roles]

Where no variable remuneration is offered to a role, [Organisation] still assesses risk management outcomes and applies consequence management in the event of a material breach or misconduct, and describes how it does so in its disclosures (CPS 511 Table 1 row 10; para 98(e)).

7. Variable remuneration design

Every variable remuneration arrangement must be designed to meet the objectives in section 4 and must incorporate (CPS 511 para 33; para 78 for non-SFIs):

1. the financial and non-financial risks that could materially affect the entity's risk profile, sustainable performance and long-term soundness (and, for RSE licensees, the best financial interests of beneficiaries);
2. payout and vesting schedules that are commensurate with the possible range of risk

and performance outcomes and sensitive to the time horizon of risk; and

3. appropriate variable remuneration adjustment tools, including at least overriding Board discretion at each decision point, in-period adjustment, malus and, where appropriate, clawback, supported by a downward-adjustment process with clearly identified triggers, a method for choosing the tool, and a method for setting the amount, proportionate to the severity of risk and conduct outcomes and to nil if appropriate.

7.1 Material weight to non-financial measures

- For SFIs, the determination of each component of performance-related variable remuneration must give **material weight to non-financial measures** (CPS 511 para 34(a)). CPS 511 does not prescribe a percentage; [Organisation] sets non-financial measures at [at least X%] of each scorecard and explains its approach in its disclosures (Table 1 rows 9 and 12).
- **No component of variable remuneration may be entirely dependent on share price performance or profitability** (CPS 511 footnote 12 to para 34).
- Non-financial measures include, for example, risk and compliance outcomes, audit and regulatory findings, customer outcomes and complaints, conduct, culture and people measures, and progress on remediation. They must be measurable, evidence-based and capable of reducing the outcome, not only increasing it.
- Each component of variable remuneration must be adjusted downwards, potentially to nil, for adverse risk and conduct outcomes based on clearly defined risk criteria (para 34(b)).

7.2 Conflicts of interest

[Organisation] must take appropriate steps to assess and mitigate conflicts of interest in the design of its remuneration arrangements, including conflicts arising from service contracts (CPS 511 paras 40, 83). Every new or materially changed plan is reviewed by [Risk and Compliance] for conflicts, including the risk that it rewards outcomes that harm customers, before approval. Appendix C is the design checklist.

8. Performance assessment and scorecards

- Every eligible person has a scorecard that sets out financial and non-financial objectives and the expected behaviours, agreed at the start of the performance period.
- **Risk and conduct gateway.** A person found to have engaged in misconduct, or rated [Unsatisfactory] on risk and behaviour, receives no variable remuneration for the year unless the [Board Remuneration Committee] decides otherwise for recorded reasons.
- **Risk and conduct modifier.** After the scorecard result is calculated, a modifier of [0% to 100%] is applied, based on the person's risk and conduct assessment and the outcomes in their area of responsibility. The modifier can only reduce the outcome.
- **Pool adjustment.** Variable remuneration pools for the organisation and each business unit are adjusted for risk outcomes, on the CRO's assessment, before individual awards are made.
- **Link to consequence management.** Variable remuneration outcomes must link to and be supported by the performance management system, the [Code of Conduct] and the RiskFA Consequence Management Framework (CPS 511 para 46, SFIs; good practice for non-SFIs). Every substantiated conduct matter is considered in the next remuneration decision.
- **Calibration.** Outcomes are calibrated across business units and checked for consistency and bias before approval.

9. Risk and conduct adjustment: malus, clawback and in-period adjustment

9.1 Adjustment criteria

[Organisation] applies its variable remuneration adjustment tools when any of the following criteria are met (CPS 511 para 37; para 80 for non-SFIs). These are minimum criteria; [Organisation] may add others.

1. Misconduct leading to significant adverse outcomes.
2. A significant failure of financial or non-financial risk management.
3. A significant failure or breach of accountability, fitness and propriety, or compliance obligations.
4. A significant error or a significant misstatement of the criteria on which the variable remuneration determination was based.
5. Significant adverse outcomes for customers, beneficiaries or counterparties.

[Additional criteria, for example: a person's conduct contributing to a Critical or High

incident; failure to take reasonable steps as a leader; a material risk outcome outside risk appetite in the person's area.]

9.2 Adjustment rules

- When any criterion is met, [Organisation] must take reasonable steps to adjust variable remuneration downwards. The total downward adjustment must be proportionate to the severity of the risk and conduct outcome (CPS 511 paras 38, 81). The RiskFA Consequence Management Framework (Appendix A) sets the normal ranges.
- **Malus** applies to every person's variable remuneration arrangement (CPS 511 paras 35, 79).
- **Clawback (SFIs)**. The variable remuneration of every senior manager, executive director and highly paid material risk-taker must be subject to clawback for **at least two years from the date of payment or vesting**, whether or not the person's employment or engagement has ended (CPS 511 para 36). [Organisation] applies a clawback period of [two years / longer].
- **Clawback (non-SFIs)**. Clawback must be included where appropriate (CPS 511 para 78(c)). [Organisation] applies clawback to [senior managers and executive directors] for [two years] from payment or vesting.
- **No vesting during an investigation**. Where a person is under investigation for any of the criteria in section 9.1, their variable remuneration must not vest until the investigation is closed (CPS 511 paras 39, 82). The same hold applies to payment of unpaid awards.
- Adjustments may be applied to individuals, to teams, or collectively to the executive or a business unit pool where a failure is shared.
- Adjustments are applied in this order unless the Board decides otherwise: in-period adjustment of the current year's award; malus of unvested deferred awards; clawback of paid or vested awards.
- Every plan rule, offer letter and award notice must state that awards are subject to this Policy, Board discretion, in-period adjustment, malus and (where it applies) clawback.

9.3 Decision process

1. **Trigger.** A potential trigger is identified through the RiskFA Consequence Management Framework, incident and issue reporting, audit or regulator findings, or the CRO's risk assessment.
2. **Assessment.** The CRO and Chief People Officer assess whether a criterion is met, the people accountable, and their culpability, using Appendix B.
3. **Recommendation.** Management recommends the tool and amount to the [Board Remuneration Committee], with the Board Risk Committee's input.
4. **Decision.** The Board Remuneration Committee decides or recommends to the Board, in line with section 5.
5. **Implementation and record.** [Reward] applies the adjustment, notifies the person in writing with reasons, records it, and reports it for disclosure (CPS 511 paras 72–73).

10. Deferral

10.1 CPS 511 deferral (SFIs)

An SFI must defer variable remuneration as follows (CPS 511 para 41):

Role	Minimum deferred	Minimum deferral period	Earliest vesting
Chief Executive Officer	60% of total variable remuneration	6 years	No faster than pro rata, and only after 4 years
Senior manager or executive director (other than the CEO)	40% of total variable remuneration	5 years	No faster than pro rata, and only after 4 years
Highly paid material risk-taker who is not a senior manager	40% of total variable remuneration	4 years	No faster than pro rata, and only after 2 years

- The deferral period must include the period over which performance is assessed, and any required service, retention and holding periods (para 42). APRA expects the deferral period to start from the beginning of the performance period for which the variable remuneration is assessed (APRA and ASIC FAR information paper, Appendix B).
- The deferral requirements in para 41 do not apply to a person with deferred variable remuneration of less than **\$50,000** in a financial year (para 43).
- [Organisation] defers [state any deferral above the minimum, for example for other

material risk-takers] .

10.2 Non-SFIs

CPS 511 does not mandate deferral for non-SFIs, except that a foreign ADI, Category C insurer or EFLIC above the SFI asset threshold must defer the variable remuneration of highly paid material risk-takers as in section 10.1 (para 84). Non-SFIs must still design payout and vesting schedules that are sensitive to the time horizon of risk (para 78(b)). Accountable entities must also meet FAR (section 11).

10.3 Leavers and acceleration

- [Organisation] must not accelerate the vesting of unvested variable remuneration for a person in a specified role who has left, except in the specific exceptions in this Policy, which are limited to **death, serious incapacity, serious disability and serious illness** (CPS 511 paras 47, 86 and footnotes 13, 23).
- Unvested variable remuneration that a leaver keeps is subject to the same vesting conditions, malus and clawback as for current employees.
- [Treatment of good and bad leavers, for example: resignation forfeits unvested awards; redundancy keeps a pro rata portion on the original schedule.]

11. FAR deferred remuneration and how it interacts with CPS 511

Accountable entities under FAR must, for each accountable person (FAR s25(1)):

- defer at least **40%** of the accountable person's variable remuneration for the financial year in which the minimum deferral period starts (s27(1));
- defer it for a minimum period of **four years** from the start of the minimum deferral period (s28(4), table item 1). The period starts on the later of the day after the decision was first made that the remuneration would be conditional on objectives, and the start of the performance measurement period (s28(2));
- have a remuneration policy that requires the accountable person's variable remuneration to be reduced by an amount proportionate to the failure if they fail to comply with their s21 accountability obligations. The reduction need not relate to the period in which the failure occurred and may be to zero (s25(1)(b), s25(2)). This Policy is that policy;
- ensure that a required reduction is not paid or transferred to the person (s25(1)(c)); and
- take reasonable steps to ensure that significant related entities do the same (s25(1)(d)).

The minimum deferral period ends early if the accountable person ceases to be one because

of death, serious incapacity, serious disability or serious illness, once the entity is satisfied on reasonable grounds that they complied with their obligations (s28(4), table item 2). If, at the end of the four years, the entity considers the person is likely to have failed to comply with s21, the period continues until the entity determines whether they did (s28(4), table item 1(b)). Deferral is not required where the amount that would be deferred for the financial year is less than **\$50,000** (s29), or for a temporary or unforeseen vacancy while the person is not registered (s30).

The FAR deferral obligations apply to remuneration decisions made in the first financial year beginning after 15 September 2024 for ADIs and their authorised NOHCs, and from 15 March 2025 for other accountable entities (APRA and ASIC FAR information paper, Table 4). A reduction of an accountable person's variable remuneration because they failed to comply with s21 must be notified to the Regulator within **30 days** (FAR ss 31(1), 31(6), 32(c)); see the RiskFA Consequence Management Framework section 16.

Feature	FAR (accountable persons)	CPS 511 (SFIs)	How [Organisation] applies both
Who	All accountable persons of accountable entities, regardless of entity size	CEO, senior managers, executive directors and highly paid material risk-takers of SFIs	Apply the stricter rule to each person
Amount	40%	60% (CEO); 40% (others)	CEO 60%; other accountable persons at least 40%
Period	4 years minimum	6 years (CEO); 5 years (senior managers, executive directors); 4 years (highly paid material risk-takers)	Use the CPS 511 period where longer
Vesting	The joint APRA and ASIC information paper states no pro rata vesting is permitted during the four years	Pro rata vesting permitted, but only after 4 years (CEO, senior managers) or 2 years (highly paid material risk-takers)	For accountable persons, no deferred amount vests before 4 years; pro rata thereafter where CPS 511 applies
Threshold	Not required if the deferred amount is less than \$50,000	Not required if deferred variable remuneration is less than \$50,000	Same threshold

Feature	FAR (accountable persons)	CPS 511 (SFIs)	How [Organisation] applies both
Reduction	Policy must reduce variable remuneration proportionately for a s21 failure, to zero if appropriate	Downward adjustment for the para 37 criteria, proportionate, to nil if appropriate	One adjustment process (section 9) covers both

APRA and ASIC state that SFIs that comply with the CPS 511 deferral requirements will in most cases satisfy the FAR deferral obligations, because CPS 511 is generally more prescriptive (FAR information paper, section 5.3). Non-SFI accountable entities must meet FAR deferral for accountable persons even though CPS 511 does not require deferral for them.

12. Payment, vesting and remuneration outcomes

- Variable remuneration outcomes must align with performance and risk outcomes and reflect the appropriate use of the adjustment tools (CPS 511 paras 44, 85).
- An SFI may pay or vest variable remuneration only if doing so supports the framework objectives, and is justified by the effectiveness of risk management of the entity and the relevant business unit, and by the performance of the person, the business unit and the entity (para 45). Before each vesting date, the CRO confirms there is no known matter that should prevent vesting, and People and Culture confirms there is no open investigation (para 39).
- Outcomes for specified roles are approved as set out in section 5 (paras 50–52, 87).

13. Remuneration for risk and financial control personnel

The variable remuneration arrangements for risk and financial control personnel (risk management, compliance, internal audit, financial control and actuarial control) must (CPS 511 para 53):

- reflect the independence and authority of those personnel in carrying out their functions;
- reflect the purpose of their functions; and
- not be unduly influenced by the performance of the business activities they control.

To meet this, **[Organisation]**:

- sets their objectives mainly on the effectiveness of their function (for example quality of

challenge, assurance coverage, timeliness of issue closure) rather than on business unit financial results;

- has the [CRO], [Head of Compliance] and [Head of Internal Audit] set or approve the objectives and assessments of their own staff, with the [Board Risk Committee] and [Board Audit Committee] chairs consulted on the outcomes of the function heads;
- funds their variable remuneration from [an organisation-wide pool, not a business unit pool]; and
- sets a higher fixed-to-variable ratio for these roles than for business roles.

For SFIs, the disclosures must describe these arrangements and outcomes for risk and financial control personnel who report directly to senior managers (CPS 511 Table 1 row 11 and footnote 17).

14. Sales incentives, conflicted remuneration and frontline staff

14.1 Financial product advice: conflicted remuneration

An AFS licensee and its representatives must not accept **conflicted remuneration**: any benefit, monetary or non-monetary, given to a licensee or representative who provides financial product advice to retail clients that, because of its nature or the circumstances in which it is given, could reasonably be expected to influence the choice of financial product recommended or the advice given, other than a benefit given by the retail client (*Corporations Act 2001* s963A).

- A licensee must not accept conflicted remuneration (s963E) and must take reasonable steps to ensure its representatives do not (s963F); authorised representatives and other representatives must not accept it (ss 963G, 963H).
- An **employer** must not give employees conflicted remuneration for work done as an employee (s963J), and a product issuer or seller must not give it to a licensee or representative (s963K).
- Sections 963B and 963C set out limited circumstances in which a benefit is not conflicted remuneration (for example certain benefits relating to general insurance and life risk insurance products, some subject to informed consent for commissions under s963BB). These exceptions are narrow and have been amended: [General Counsel] must confirm any exception relied on.
- Every incentive for staff who give, support or supervise financial product advice to retail clients is reviewed by [Compliance] against these rules before approval.

14.2 Mortgage brokers: best interests duty and conflicted remuneration

- A credit licensee that is a mortgage broker, and its credit representatives, must act in the best interests of the consumer in relation to credit assistance and, where there is a conflict, give priority to the consumer's interests (*National Consumer Credit Protection Act 2009* ss 158LA, 158LB, 158LE, 158LF).
- **Conflicted remuneration** is any benefit given to a licensee or representative who provides credit assistance (or acts as an intermediary) that could reasonably be expected to influence the credit assistance provided, or whether or how they act as an intermediary (s158N). Where the licensee or representative is a mortgage broker or mortgage intermediary, licensees and credit representatives must not accept it, and employers, credit providers and mortgage intermediaries must not give it, in the circumstances prescribed by the regulations (ss 158NB–158NF). [General Counsel] must confirm the prescribed circumstances in the *National Consumer Credit Protection Regulations 2010*.
- [Organisation] reviews broker, aggregator and lender payment arrangements, and its own staff incentives in mortgage broking, against these rules.

14.3 Banking frontline staff (industry practice)

The Australian Banking Association's Retail Banking Remuneration Review, conducted by Stephen Sedgwick AO (final report 2017, with a final implementation review published in 2021), recommended that banks remove the direct link between sales and variable rewards for retail frontline staff and their managers and assess performance on whole-of-role measures. This is an industry commitment, not a legal requirement. [Organisation] applies it as follows:

- frontline and customer-facing incentives are based on a balanced, whole-of-role assessment including customer outcomes, conduct and compliance, not on sales volume or product targets;
- no sales accelerators, product-specific campaigns or team targets that could reward selling a product a customer does not need;
- leaders of frontline staff are not rewarded on the sales volumes of their teams; and
- incentive data, complaints and quality-assurance results are monitored for signs of mis-selling.

14.4 Third-party service providers

Where third parties (for example brokers, introducers, distributors, advisers or outsourced sales teams) are paid by [Organisation], their compensation arrangements are assessed for material conflicts with the framework objectives, and the conflicts are mitigated through contract terms, monitoring and the right to adjust payments (CPS 511 para 22(c)). Material arrangements are reported to the [Board Remuneration Committee] [annually].

15. Prohibited practices

Except where permitted by law, [Organisation] must not pay remuneration through vehicles or methods that undermine the effect or intent of CPS 511 (paras 61, 89). In particular:

- [Organisation] must not indemnify or insure a person (directly or through another person) against the consequences of breaching an obligation under CPS 511 or of in-period adjustment, malus or clawback. This does not apply to a liability for legal costs (paras 61(a), 62, 89(a), 90);
- a person in a specified role who receives equity or equity-linked deferred variable remuneration must not **hedge** their economic exposure to the equity price before it has fully vested and can be sold for cash. This prohibition is in this Policy and in [the plan rules and Securities Trading Policy]. A breach is managed under the RiskFA Consequence Management Framework and may result in forfeiture of the affected awards (paras 61(b), 89(b)); and
- no payment, loan, side arrangement or role change may be used to compensate a person for an adjustment made under this Policy.

16. Link to the Consequence Management Framework

This Policy and the RiskFA Consequence Management Framework work together:

- the RiskFA Consequence Management Framework investigates conduct matters, rates their severity (Critical, High, Medium, Low) and recommends the adjustment;
- this Policy sets the adjustment criteria, tools, decision rights and remuneration effect;
- positive risk and conduct behaviour, including speaking up and early reporting, is recognised in the behaviour and risk component of the scorecard; and
- disclosures describe how consequence management is applied in the event of a material breach or misconduct and the main triggers for downward adjustments (CPS 511 paras 73, 98(c)).

17. Disclosure

17.1 CPS 511 public disclosure

- [Organisation] must make clear, comprehensive, meaningful, consistent and comparable public disclosure on its remuneration framework and practices (CPS 511 paras 63, 91).
- Disclosures are published on [Organisation]'s website, as a standalone document or clearly identified within other disclosures (paras 64, 92), for each full financial year (paras 65, 93).
- They are published as soon as possible after [Organisation] lodges its annual financial statements with ASIC, and **no more than six months after the end of the financial year** (paras 66, 94).
- **SFIs** disclose qualitative information on the framework (Table 1) and quantitative information on remuneration outcomes (Table 2), special payments (Table 3) and deferred and adjusted variable remuneration (Table 4). Tables 2, 3 and 4 must be disclosed in a machine-readable format such as CSV (para 64). A cohort of fewer than five people (other than the CEO) need not be disclosed (para 67(b)).
- **Non-SFIs** disclose qualitative information on governance, the design and structure of the framework, and the remuneration policy, including how consequence management is applied (paras 96–98). APRA may require a non-SFI to make the quantitative disclosures (para 95).
- Within a group, an APRA-regulated entity need not disclose separately if the Head of the group discloses on a Level 2 or Level 3 basis, unless APRA determines otherwise (para 7).

17.2 Listed companies: remuneration report

- A listed company's directors' report must include a separately identified remuneration report covering, among other things, Board policy for the remuneration of key management personnel and its relationship to company performance (*Corporations Act 2001* s300A).
- A resolution to adopt the remuneration report must be put to the vote at the AGM; the vote is advisory only (s250R(2)–(3)).
- If at least 25% of votes cast are against the report at two consecutive AGMs, a spill resolution must be put at the second AGM; if it passes, a spill meeting must be held within 90 days after it is passed (ss 250U, 250V, 250W(2)).

[Organisation] aligns its remuneration report, CPS 511 disclosures and FAR obligations so that

the same facts are described consistently.

18. Review of the remuneration framework

- **[Organisation]** reviews compliance of the remuneration framework with CPS 511 at least **annually** (CPS 511 para 54, SFIs).
- The effectiveness of the framework is comprehensively reviewed at least **every three years** by operationally independent, appropriately experienced and competent persons (para 55, SFIs). The review assesses compliance with the framework objectives, whether the framework operates as intended, whether its design is fit for purpose, and the alignment of remuneration outcomes with performance and risk outcomes (para 57).
- Results are documented and reported to the **[Board Remuneration Committee]** in a timely way, and the Committee ensures findings are addressed (para 56).
- Where there is a material change to size, business mix or complexity, **[Organisation]** considers whether the framework needs to be amended or reviewed at that time (para 58).
- Non-SFIs are not subject to paras 54–58, but should review the framework at least **[every two to three years]** as good practice.

19. Records

- **[Reward]** keeps records of scorecards, risk and conduct assessments, CRO input, Committee and Board decisions, adjustments, deferral and vesting, leaver treatment and special payments, for at least **[7 years]**.
- Records are sufficient to support the CPS 511 disclosures, FAR notifications and the annual compliance review.
- Personal information is handled under the **[Privacy Policy]**.

20. Compliance with this Policy

Breaches of this Policy, including paying or vesting remuneration without the required approvals or adjustments, are recorded as incidents under the RiskFA Incident & Issues Management Standard, assessed for regulatory notification, and managed under the RiskFA Consequence Management Framework. Exceptions to this Policy require the approval of the **[Board Remuneration Committee]** and must never breach CPS 511, FAR or the law.

21. Related documents

- the RiskFA Consequence Management Framework, [Code of Conduct] and [Performance Management Policy]
- the RiskFA Risk Management Framework, the RiskFA Risk Appetite Statement and [Incident & Issues Management Standard]
- [Board Remuneration Committee Charter], [Securities Trading Policy], [FAR Accountability Policy] and [Fit and Proper Policy]
- [Variable remuneration plan rules] and [Annual remuneration disclosures]
- APRA: CPS 511 *Remuneration* and CPG 511 *Remuneration*; CPS 510 / SPS 510 *Governance*; CPS 220 / SPS 220 *Risk Management*
- FAR: *Financial Accountability Regime Act 2023*; APRA and ASIC, *Financial Accountability Regime: Information for accountable entities* (July 2024; ASIC RG 279)
- *Corporations Act 2001* Part 7.7A Division 4 and ss 250R, 250U–250W, 300A; *National Consumer Credit Protection Act 2009* Part 3-5A; *Fair Work Act 2009*
- Australian Banking Association, *Retail Banking Remuneration Review* (Sedgwick, 2017) and final implementation review (2021)

Appendix A. CPS 511 requirement map

Use this map to show where each CPS 511 requirement is met. Paragraph numbers are from CPS 511 (determination No. 3 of 2023). 'All' means SFIs and non-SFIs.

Requirement	SFI para	Non-SFI para	Where met in this Policy
Remuneration framework objectives	21	74	Section 4
Documented remuneration policy: objectives, coverage, third-party conflicts, systems and processes	22	75	Sections 1, 2, 14.4, 8–9
Board ultimately responsible; Board approves policy	23–24	76–77	Section 5.1
Board Remuneration Committee: role, composition, charter	25–29	Not required	Section 5.2
Consult Board Risk Committee and CRO (documented process)	30	Not required	Sections 5.2, 9.3

Requirement	SFI para	Non-SFI para	Where met in this Policy
Comprehensive reporting; access; independent experts	31–32	Not required	Section 5.2
Variable remuneration design: risks, payout and vesting schedules, adjustment tools and process	33	78	Section 7
Material weight to non-financial measures; downward adjustment to nil	34	Not required (34(a)); adjustment via 78, 80–81	Sections 7.1, 9
Malus for all variable remuneration	35	79	Section 9.2
Clawback for senior managers, executive directors, highly paid MRTs: at least 2 years, including after leaving	36	Where appropriate (78(c))	Section 9.2
Adjustment criteria	37	80	Section 9.1
Reasonable steps to adjust; proportionate	38	81	Section 9.2
No vesting during investigation	39	82	Sections 9.2, 12
Conflicts of interest in design	40	83	Section 7.2
Deferral: CEO 60%/6 yrs; senior managers 40%/5 yrs; highly paid MRTs 40%/4 yrs; \$50,000 threshold	41–43	Only para 84 (large foreign branches)	Section 10
Align outcomes with performance and risk; apply adjustment tools	44	85	Section 12
Conditions for payment or vesting	45	Not required	Section 12
Link to performance management, code of conduct and consequence management	46	Not required (good practice)	Sections 8, 16
No accelerated vesting for leavers (except death, serious incapacity, disability, illness)	47	86	Section 10.3

Requirement	SFI para	Non-SFI para	Where met in this Policy
Specified roles: prudent management, guidance, recommendations, Board approval	48–52	87	Section 5
Risk and financial control personnel arrangements	53	Not required (good practice)	Section 13
Annual compliance review; triennial independent effectiveness review; material change	54–58	Not required (good practice)	Section 18
Group Board Remuneration Committee and group policy	59–60	88	Section 5.2
No indemnity, insurance or hedging that undermines CPS 511	61–62	89–90	Section 15
Public disclosure: format, timing, content	63–73	91–98	Section 17.1

Appendix B. Variable remuneration adjustment decision template

Section	Content
1. Person or cohort	Name or cohort; role; specified role category; accountable person (yes/no); SFI or non-SFI rules; performance year(s) affected.
2. Trigger	Description of the event; linked incident, issue or conduct case IDs; date identified; source.
3. Criteria met	Which CPS 511 para 37 / 80 criteria are met (misconduct; risk management failure; accountability, fitness and propriety or compliance failure; error or misstatement; adverse customer outcomes), and any FAR s21 failure. Evidence.
4. Severity and culpability	Severity rating (Critical, High, Medium, Low) and culpability from the RiskFA Consequence Management Framework; aggravating and mitigating factors; the person's role and the reasonable steps they took.
5. Inputs	CRO assessment; Board Risk Committee input; Chief People Officer and General Counsel advice; CFO confirmation for any misstatement.
6. Awards available	Current-year award (in-period); unvested deferred awards by grant (malus); paid or vested awards within the clawback period (clawback); amounts and vesting dates.
7. Recommended adjustment	Tool(s); amount and percentage; rationale for proportionality; comparison with the normal range and precedent; collective adjustment, if any.
8. Legal and practical checks	Plan rules and contract permit the adjustment; employment law and tax implications; recovery method for clawback.
9. Decision	Decision-maker (Board / Board Remuneration Committee / delegate); date; decision and reasons.
10. Implementation and reporting	Date applied; person notified in writing; FAR notification within 30 days if a reduction because of a s21 failure; included in CPS 511 Table 4 and para 73 disclosures.

Appendix C. Scorecard and plan design checklist

- The plan supports the remuneration framework objectives (section 4) and the business plan, strategy and risk appetite.
- Non-financial measures carry material weight, are evidence-based, and include risk, compliance, customer and conduct outcomes (SFIs: CPS 511 para 34(a)).
- No component depends entirely on share price performance or profitability (CPS 511 footnote 12).
- Measures cannot be met by taking risk outside appetite or by harming customers; each measure has been tested for unintended incentives.
- A risk and conduct gateway and a downward-only modifier apply.
- Board discretion, in-period adjustment, malus and (where required) clawback are written into the plan rules and offer documents.
- Payout and vesting schedules reflect the time horizon of the risks the role takes.
- Deferral meets CPS 511 (SFIs) and FAR (accountable persons), whichever is stricter for each person.
- No acceleration of vesting for leavers except death, serious incapacity, serious disability or serious illness.
- Risk and financial control personnel are measured on their function, not on the business they control.
- Frontline incentives are whole-of-role, with no direct link to sales volumes, and comply with the conflicted remuneration bans where they apply.
- Third-party compensation arrangements have been assessed for conflicts.
- No hedging and no indemnity or insurance against adjustments.
- Outcomes can be calculated, evidenced and disclosed (CPS 511 Tables 1–4 for SFIs; paras 96–98 for non-SFIs).
- Risk and Compliance have reviewed the plan, and the Board Remuneration Committee (or the Board) has approved it.



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