10 January 2024

APS 330 REMUNERATION DISCLOSURES

Period ended 31 August 2023.

1 Introduction.

These remuneration disclosures have been prepared in line with APRA Prudential Standard APS 330 Public Disclosure (**APS 330**). APS 330 requires that all Authorised Deposit-taking Institutions (**ADIs**) meet the minimum requirements for public disclosure of qualitative and quantitative information concerning their remuneration practices.

The quantitative information disclosed relates to Senior Managers and Material Risk Takers (**MRT**) of Bank of Queensland Limited (**BOQ**) ADI for the financial year ended 31 August 2023 (**FY23**).

This prudential disclosure is separate from the FY23 Remuneration Report. For the purposes of this disclosure, BOQ has followed the definitions outlined in paragraph 22 of APS 330.

The following roles were considered to be Senior Managers:

- The Managing Director & Chief Executive Officer (**MD&CEO**);
- Members of the Executive Committee, including Group Executives; and
- Other Responsible Persons (**RP**) of BOQ as defined in paragraph 20(a) of APRA Prudential Standard CPS 520 Fit and Proper (**CPS 520**) and in BOQ's Fit and Proper Policy.

During FY23 there were 16 employees in this group, including 7 who were considered Senior Managers for part of the year.

There were no MRT who are not also Senior Managers for the reporting period. Therefore, all MRT are included in the Senior Manager category and are not separately disclosed.

2 Qualitative disclosures.

The qualitative disclosures are made in accordance with Table 22 of APS 330, Attachment G.

2.1 Remuneration governance.

2.1.1 People, Culture & Remuneration Committee.

The Board is ultimately responsible for remuneration governance and has established the People, Culture & Remuneration Committee (the **PCRC**) which oversees BOQ's people, culture and remuneration settings.

The PCRC's purpose is to assist the Board to set the values and manage the culture, conduct and capability of personnel within BOQ and its subsidiaries (**BOQ Group**) and effectively discharge its responsibilities to oversee the remuneration policies and practices of BOQ Group.

The PCRC:

- ordinarily meets a minimum of four times per year;
- comprises all Non-executive Directors (**NEDs**);
- operates in accordance with its Charter, which is reviewed at least every two years and is available on the BOQ web site;
- seeks to ensure that BOQ's remuneration policies and frameworks continue to support BOQ Group's overall risk management framework (**RMF**); and
- reviews the Group Remuneration Policy on at least an annual basis, and more frequently as required to respond to evolving regulatory, business and legislative conditions.

2.1.2 Use of remuneration consultants.

During FY23 the PCRC did not engage independent consultants to assist with decision-making.

2.1.3 Group Remuneration Policy.

The BOQ Group Remuneration Policy is applied to all employees of the Group. The Policy was reviewed during FY23 with changes made to reflect the requirements of CPS 511 which came into effect on 1 January 2023. The Policy specifically considers remuneration arrangements for particular categories of roles and employees as set out in CPS 510 (pre-1 January 2023) and CPS 511 (from 1 January 2023), including Senior Managers and MRT as reported in this disclosure.

2.1.4 Risk and financial control personnel.

Remuneration structures for risk and financial control personnel (as defined in paragraph 57(b) of CPS 510 and paragraph 18 (r) of CPS 511) are designed to ensure that their independence is not compromised.

Performance objectives for risk and financial control personnel are not linked to the financial performance of the business unit(s) they oversee. The Board Risk Committee has input into the performance measures for the Group Chief Risk Officer and the Board Audit Committee has input into the performance measures for the Chief Audit Executive. Remuneration outcomes for risk and financial control personnel are approved by the Board.

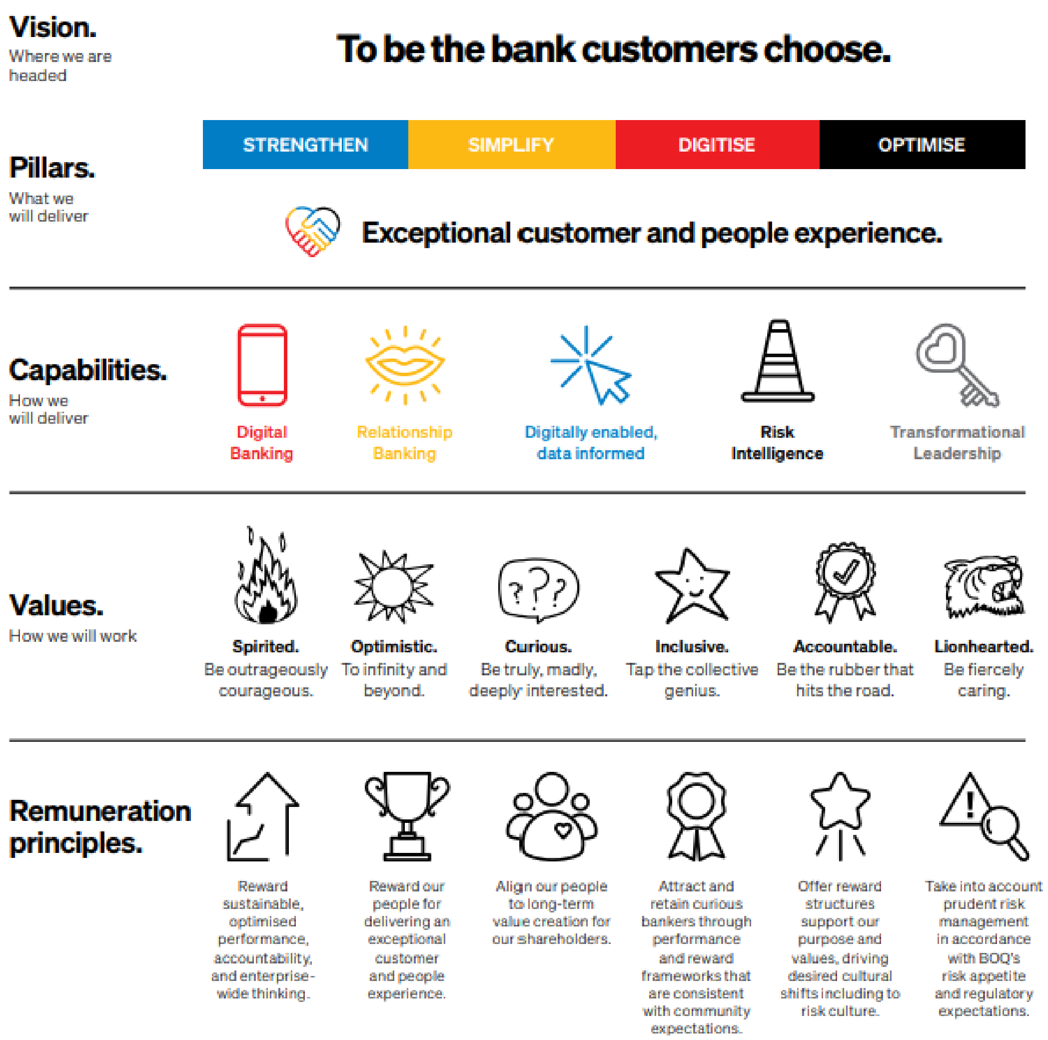
2.2 Remuneration framework.

2.2.1 Remuneration framework.

Remuneration at BOQ Group is structured in a way that ensures:

- Alignment to regulatory and legislative requirements, including the minimum deferral arrangements for AP as set out in the BEAR legislation; and
- Supports the achievement of BOQ's vision, purpose, values, and strategy in accordance with the Group's remuneration principles as set out in Figure 1.

Figure 1. Remuneration snapshot



The remuneration structure in place for all employees is consistent with the Group Remuneration Policy and is based on a total remuneration approach comprising an appropriate mix of fixed remuneration in the form of salary, superannuation and benefits, and variable remuneration which includes short-term incentives (**STI**) delivered in cash and/or equity, and long-term incentives (**LTI**) delivered in equity. Equity is delivered over time and subject to continued tenure of the participant and any other performance conditions attached to the particular grant. Equity awards are subject to malus and clawback, as further detailed in section 2.4.7.

The total remuneration opportunity for all employees is reviewed on an annual basis, and the total remuneration mix depends on the level of role within the organisation and an individual's performance.

Performance-based incentive arrangements are designed to encourage behaviour that supports:

- BOQ's long term financial soundness;
- BOQ's RMF; and
- alignment with customer and community expectations.

2.2.2 Performance measures

All employees of BOQ are required to have performance goals that are aligned to the Group's strategy and contain an appropriate degree of stretch and are expected to adhere to minimum standards of conduct and behaviour. For FY23:

- The Group Scorecard contained the performance measures for the MD&CEO and represented 75% weighting for Group Executives.
- From 2H 23 (1 March 2023) each Group Executive had individual objectives. Group Executives other than the Group Chief Risk Officer were assessed based on their individual objectives (25%) and the Group Scorecard results (75%).
- The Group Chief Risk Officer was assessed based entirely on individual objectives.
- Senior Managers below Group Executive level, including the Chief Audit Executive, were assessed based on their individual performance in role, including against their strategic objectives.

A summary of the FY23 Group scorecard measures is provided in Table 1.

Table 1. FY23 Group scorecard measures

Strategic priority	Weighting	Measures
Customer experience	10%	Net Promoter Score, App store ratings, Contact Centre wait times, Contact Centre % of calls abandoned.
People Experience	10%	Cultural transformation, employee engagement, voluntary turnover.
Strengthen	15%	Remedial Action Plans, risk culture.
Simplify	15%	Simplification cost reduction, operating model.
Digitise	15%	% of active customers on new platform, digital mortgage, digital roadmap.
Optimise	35%	Cost to income ratio, cash profit, return on equity.

2.3 Remuneration structure.

BOQ's remuneration structures comprise fixed reward and variable reward. For members of the executive team, variable reward generally included Performance Shares and Premium Priced Options. For other Senior Managers, variable reward comprised short-term incentive (**STI**) and long-term incentive (**LTI**), as detailed in Table 2.

Table 2. Remuneration structure

	Fixed reward (all Senior Managers)	
Delivery	Cash	
Performance criteria	Satisfactory performance, compliance with the terms and conditions of employment including the Code of Conduct and, where relevant, fulfilment of accountabilities under the Banking Executive Accountability Regime (**BEAR**).	
Risk	Effective management of risk, contribution to improving the Group's risk maturity and risk culture.	
	Variable reward	
	Performance Shares (Executive Team)	Short-term incentive (Other SMs)
Purpose	To focus the executive team on delivering against the Group's strategy (across financial and non-financial measures) collaboratively and a team, and for effectively managing risk.	To reward an employee's contribution to the achievement of BOQ's strategic, customer, financial and risk outcomes and their behaviour, conduct and demonstration of BOQ's values over the performance period.
Delivery	Rights that may convert to Restricted Shares after a one-year performance period.	Cash and/or equity in accordance with the Group's STI deferral framework (detailed in Section 4.2.5).
Performance criteria	Over the one-year performance period: • MD&CEO: Group Scorecard. • GCRO: Individual objectives. • Others: 75% Group Scorecard, 25% individual objectives.	Over the one-year performance period, individual objectives, aligned to strategic pillars.
Risk	Performance outcomes are modified by the Board using informed judgement in consideration of risk, conduct and behaviours prior to determining conversion (Performance Shares). Pre-release risk assessment prior to lifting restrictions from each tranche. Unvested awards are subject to malus. A clawback period of two years applies to each tranche.	STI plans feature consistent eligibility criteria, gate-openers (including minimum performance and behaviour standards, completion of mandatory training, employee due diligence and 10 consecutive days' absence), are subject to provisions such as risk adjustment and deferral into restricted shares, and are offered at the ultimate discretion of the Board.
Restriction period	Rights may convert to Restricted Shares on completion of the one-year performance period, based on the Board's assessment of performance and risk. Once converted, dealing restrictions are lifted as follows: • 33% In December 2024, 33% in December 2025 and 34% in December 2026 (i.e., after two, three and four years).	Cash: paid on completion of the one-year performance period. Dealing restrictions on Restricted Shares are lifted as follows: • 50% after one year; 50% after two years (i.e., on completion of years two and three).

	Premium Priced Options – Executive Team	Long-term incentive (Other SMs)
Purpose	To align the interests of executives with the interests of shareholders to achieve improved outcomes for all stakeholders and grow shareholder value.	To align the interests of employees with the interests of shareholders and encourage the retention of employees.
Delivery	Options with a premium exercise price (120% of share price at grant).	Deferred Award Rights (**DARs**), which are conditional rights to acquire ordinary BOQ shares at no cost.
Performance criteria	BOQ's share price must exceed the exercise price set for the award, and a risk assessment conducted by the Board.	Continued service, adherence to and compliance with Group policies including the code of conduct.
Risk	• Risk assessment prior to vesting. • Unvested awards are subject to malus. • Each tranche is subject to dealing restrictions for one year after vesting. • A clawback period of two years applies to each tranche.	• Risk assessment prior to vesting. • Unvested awards are subject to malus. • A clawback period of two years applies to each tranche.
Vesting and restriction periods	Vesting: 50% in December 2026 and 50% in December 2027 (i.e., after four and five years). Dealing restrictions apply for a further one year from the vesting date of each tranche.	Vesting: 35% in December 2023; 35% in December 2024; 30% in December 2025 (i.e., after one, two and three years). BEAR Accountable Persons: Vesting: 30% in December 2023; 15% in December 2024; 15% in December 2025 and 40% in December 2026 (i.e., after one, two, three and four years).

2.4 Aligning remuneration with risk management.

2.4.1 Assessment.

Risk forms a key part of the remuneration structure at BOQ and is embedded in the assessment of variable reward. Risk management practices are governed by an integrated framework of policies (including risk appetite statements and the Group Remuneration Policy).

In assessing performance, the Group Chief Risk Officer and Chair of the Board Risk Committee provide feedback to the Board concerning risk behaviours and outcomes during the financial year. A final full year assessment of risk was presented to the Committee by the Chair of the Risk Committee and the Group Chief Risk Officer, at the meeting where senior executive remuneration outcomes are considered.

Risk management is both a specific performance category for the MD&CEO and Group Executives, and a modifier used by the Board when determining STI funding and individual remuneration outcomes for all employees.

2.4.2 Short-term incentive funding.

STIs for Senior Managers are funded by the Group STI Pool, which is created at the ultimate discretion of the Board having regard for business performance, risk management and affordability. When determining the size of the Group STI Pool the Board considers BOQ's performance against the agreed performance measures; affordability and capacity to pay; an assessment of risk incidents, including as reported by the Chief Risk Officer and recommended to the Board by the PCRC, with input from the Chair of the Board Risk Committee; and any other factors it considers relevant.

2.4.3 Risk measures.

Table 3 provides the key risks and measures for FY23. Risks and measures are updated periodically to ensure compliance with the legislative standards and alignment with BOQ's risk appetite. Activity and outcomes for each of the Risk categories are reported to the relevant Committee and the Board. These risks may be considered at Group, cohort or individual levels. For example, they are considered by the Board in relation to its assessment of overall Group performance as it determines the size of variable reward pools (cash and equity) that will be made available, by leaders as part of individuals' overall performance assessments (including eligibility for variable reward), and by the Board to determining equity vesting and/or release of restrictions (or otherwise).

Table 3. Key risk measures for FY23

Risk	Measures	Review of measures
Non-financial risks (operational risk and compliance risk)	• Operational risk assessments • Incident reporting and analysis • Regulatory compliance breaches and impact assessments • Branch scorecard performance and audits • Internal and external audit findings • Completion of mandatory compliance training • Monitoring and supervision activities • Monitoring conflicts of interest • Attestations • Monitoring regulatory change • Sustainability scorecard • Risk culture / "I feel safe to speak up"	Measures across non-financial risks are produced, reviewed and monitored on either a monthly, quarterly, half-yearly and/or annual basis (as applicable).
Financial risks (credit risk and market risk)	Metrics embedded within individual objectives include compliance with Board-delegated trigger limits for key credit, liquidity, funding, capital, and market and strategic financial risks.	Market risk, liquidity and funding composition are monitored daily. Other financial risks are monitored at least monthly. All financial risk measures are reviewed at least annually or as required.

2.4.4 Risk management framework and expected behaviours.

Employees are expected to demonstrate behaviours that reflect the values and objectives of BOQ as approved by the Board, including adherence to BOQ's overall RMF.

Variable reward plans (both cash and equity) include specific risk considerations that are designed to ensure that quantifiable results are achieved within appropriate risk management parameters. The RMF includes measures at BOQ and individual levels.

Failure to meet risk measures may result in modification, suspension or withdrawal of variable reward.

2.4.5 Deferral.

BOQ has in place a STI deferral framework which mandates the deferral of a portion of all STI outcomes subject to the thresholds approved by the Board. The annual threshold for the Group STI Plan is $100,000. For awards greater than the threshold, a portion will be deferred into restricted shares to vest in two equal tranches (50% after one year and 50% after two years) as set out in Table 4.

Table 4. Deferral Framework for FY23

STI award	Deferral treatment
$100,000 or less	Nil
$200,000 or less	100% deferral of the amount between $100,001 and $200,000
Greater than $200,000	100% deferral of the amount between $100,001 and $200,000, plus 50% deferral of any amount greater than $200,000

2.4.6 Risk adjusted reward framework

The Group's risk adjusted reward framework sets out the criteria for applying risk-based adjustments where, in the opinion of Management and/or the PCRC and/or the Board, the conduct, behaviour and action (or lack thereof) of an individual or group of individuals has contributed to or resulted in:

- significant adverse outcomes;
- a significant failure of financial or non-financial risk management;
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and
- significant adverse outcomes for customers, beneficiaries or counterparties.

Matters and instances which may be referred for consideration under the risk adjusted reward framework include where an individual or group of individuals:

- engaged in serious misconduct or a breach of their employment obligations (including fraud, dishonesty, gross negligence, recklessness or wilful indifference);
- failed to meet BOQ Group's conduct and behavioural standards, including a determination that a former employee engaged in conduct that would be considered failure of the conduct and behavioural standards if still employed;
- significantly contributed to poor risk outcomes;
- received a cash or equity award where all or part of the initial award was not justified having regard to the circumstances or information which has come to light after an award was made under a variable remuneration plan.

The risk adjusted reward framework works in conjunction with other consequence management mechanisms and provides guiding principles for leaders, the PCRC and the Board make decisions regarding appropriate and proportionate actions to be taken to respond to risk events across the organisation.

2.4.7 Risk adjustment tools

Management, the PCRC and Board have at their disposal three avenues for making risk adjustments to remuneration. These include:

- in-period adjustment, where all, or a portion, of potential variable reward may be reduced, including to zero;
- malus, where the Board may determine that all, or a portion of any unvested award will be lapsed or forfeited; and

- clawback, where the Board treat any variable reward that has been paid or vested and, as a result of a risk, compliance or conduct incident would not have otherwise been paid or vested, as an overpayment and, subject to legal limitations, seeks to recover the difference for the benefits of BOQ Group through any action it deems necessary and appropriate, and which may be applied whether or not the employment or engagement of the person has ceased.

Circumstances in which the PCRC may recommend, and the Board may approve, to invoke in-period adjustment, malus and/or clawback provisions include where, in the opinion of the Board, a Senior Executive or other individual has:

- engaged in serious misconduct or a breach of their employment obligations (including fraud, dishonesty, gross negligence, recklessness or wilful indifference);
- failed to meet BOQ's conduct and behavioural standards, including a determination that a former employee engaged in conduct that would be considered failure of the conduct and behavioural standards if still employed;
- contributed to a material misstatement in, or omission from, BOQ's financial statements, or a misstatement of a performance condition applicable to a variable remuneration plan;
- acted, or failed to act, in a way that contributed to material reputational damage to BOQ; or
- received a variable reward where all or part of the initial award was not justified having regard to the circumstances or information which has come to light after an award was made under a variable remuneration plan.

3 Quantitative disclosures.

The tables in this section have been prepared in accordance with the quantitative disclosure requirements outlined in Table 22 of APS 330, Attachment G.

3.1 People, Culture & Remuneration Committee

This section summarises the requirements under paragraph (g).

All NEDs serve on the Board Audit; Nomination & Governance; People, Culture & Remuneration; Risk; and Transformation & Technology Committees.

Other than the Board Chair who receives no additional remuneration for involvement with Committees, NEDs are remunerated for all five committees using a flat fee structure, inclusive of superannuation, as set out in Table 5.

The PCRC met eight times in FY23 (seven times in FY22). The total number of meetings across the five committees was 35 in FY23 (26 in FY22).

Table 5. NED Fee Structure – FY23 & FY22

	Chair / Committee Chair ($'000)	Directors / Committee members ($'000)
Base fees	$500	$185
Committee fees	$50	$80

3.2 Remuneration awarded to Senior Managers

Table 6 summarises the requirements under paragraph (h), providing a breakdown of the various payments made to Senior Managers[1] during the reporting periods. As noted in the introduction, at BOQ all MRT are included in the Senior Manager category and therefore not disclosed separately.

Table 6. Remuneration awarded to Senior Managers

	FY23 ($'000)	FY22 ($'000)
Number of Senior Managers who received variable remuneration	16	21
Number of guaranteed bonuses awarded	0	0
Value of guaranteed bonuses awarded	$0	$0
Number of sign-on awards	0	3
Value of sign-on awards	$0	$1,145
Number of termination payments	5	3
Value of termination payments[1]	$3,081	$922

[1] Includes contractual and statutory entitlements and, where relevant, pay in lieu of notice and/or periods of gardening leave. FY22 is restated to reflect this methodology.

3.3 Outstanding deferred remuneration for Senior Managers

This table provides a summary of outstanding deferred cash and equity-based remuneration for Senior Managers during the reporting periods including the total value of outstanding awards, deferred awards paid out during the reporting period and any reductions due to ex-post explicit and implicit adjustments. It summarises the requirements under paragraphs (i) and (k).

Table 7. Outstanding deferred remuneration for Senior Managers

	FY23 ($'000)	FY22 ($'000)
Number of incumbents (including part-year)	16	21
Cash based awards	$0	$0
Shares and share-linked instruments[1]	$9,964	$15,262
Total outstanding deferred remuneration[2]	$9,964	$15,262
Total outstanding deferred remuneration paid out during the financial year[2, 3]	$1,472	$1,321
Total amount of reductions during the financial year due to explicit adjustments[4]	$6,390	$2,042
Total amount of reductions during the financial year due to implicit adjustments[5, 6]	$2,521	$5,732

1 Shares and share-linked instruments are expressed using the closing share price at 31 August 2023 (for FY23) and 31 August 2022 (for FY22). The approach for valuing Premium Priced Options is the difference between the closing share price and the exercise price, however, as the closing share price was lower than the exercise price for both reporting periods, the Options value is reported as nil.

2 Includes all shares or rights for employees who were Senior Managers at any point during the financial year and where restrictions have not lifted as the end of the year (31 August 2023 for FY23 and 21 August 2022 for FY22).

3 Paid out means that the restrictions on the shares or rights have lifted.

4 Includes reductions to awards that paid out during the reporting periods due to downward adjustments to outcomes and/or forfeitures due to non-vesting/lapsing or employees exiting, calculated using the closing share price at 31 August 2023 (for FY23) and 31 August 2022 (for FY22). FY23 Performance Shares that lapsed as a result of FY23 performance will be disclosed in FY24.

5 Includes reductions to awards (outstanding and paid out) during the reporting periods due to revaluation of awards and/or share price fluctuations using the closing share price at 31 August 2023 (for FY23) and 31 August 2022 (FY22). FY22 has been restated.

Table 8. Breakdown of the remuneration awarded to Senior Managers

This table summarises the requirements under paragraph (j) and provides a breakdown of the value of fixed and variable remuneration awarded to Senior Managers during the reporting periods.

	FY23 ($'000)	FY22 ($'000)
Number of incumbents (including part-year)	16	21
Fixed remuneration (non-deferred)		
Cash based[1]	$8,777	$10,107
Shares and share-linked instruments	$0	$0
Other[2]	$493	$601
Variable remuneration		
Cash-based (non-deferred)[3]	$113	$275
Cash based (deferred)	$0	$0
Share-linked instruments (deferred)[4]	$11,004	$12,461
Other	$0	$0

1 Includes salary (including and any salary sacrificed benefits), paid leave and allowances paid in cash. FY22 has been restated to reflect this methodology.

2 Includes compulsory superannuation contributions, the value of contractual car parking and any other non-cash benefits. In prior APS 330 remuneration disclosures, BOQ included the value of annual leave and long service leave accruals in this section. However, as the incumbents do not realise value from these accruals until the leave is taken, this value is now excluded. FY22 has been restated to reflect this methodology.

3 Cash incentives earned in respect of the financial year (not necessarily paid in the same financial year).

4 Face value of awards granted in respect of the financial year including Performance Shares, Premium Priced Options and Deferred Award Rights (DARs), special awards and Restricted Shares awarded in respect of deferred STI earned in the financial year.