



Remuneration Report

**FOR THE YEAR ENDED
30 JUNE 2020**

The super fund for Australia's higher
education and research sector

Remuneration report

UniSuper seeks to attract and retain highly experienced and qualified employees so that we can deliver greater retirement outcomes for our members.

How a person goes about performing their work is paramount as it underpins UniSuper's culture and way of doing things.

Providing, fair, equitable and competitive remuneration for UniSuper's Directors, Executives and employees is central to supporting our purpose of delivering greater retirement outcomes for our members. The information contained in this remuneration report provides an overview of UniSuper's non-Executive Director and Executive remuneration practices.

The remuneration report is set out under the following main headings:

- A. Governance and oversight of UniSuper's remuneration practices
- B. Director's remuneration
- C. Executive remuneration

A Governance and oversight of UniSuper's remuneration practices

The Boards of UniSuper Limited (USL) and UniSuper Management Pty Ltd (USM) have established Remuneration Committees ('the Remuneration Committee') which assist the Boards to discharge their corporate governance responsibilities.

The Remuneration Committee maintains oversight of and seeks to ensure that UniSuper has robust and coherent remuneration policies and practices in place. At all times, UniSuper seeks to fairly and responsibly attract, retain, motivate and reward high calibre employees who display and model UniSuper's values and culture.

The Remuneration Committee is responsible for making recommendations to the full Board regarding matters such as:

- UniSuper's remuneration and rewards program including formulation of the USM Remuneration Policy
- The fees to be paid to Directors and non-Director committee members
- Remuneration of the CEO and the Executive Leadership Team

From time to time the Remuneration Committee engages remuneration consultants to provide specialist independent advice to ensure that:

- UniSuper's remuneration is in line with industry standards
- UniSuper continues to attract and retain high quality employees to serve its members

B Directors' remuneration

In setting the Directors' remuneration, the USL Board (with guidance from the Remuneration Committee) seeks the advice of independent remuneration consultants to ensure the Directors' fees are appropriate and in line with the broader financial services market.

Specifically, a full external review is conducted every three years. In the interim, adjustments may be made where appropriate (and within already approved limits), and having considered remuneration benchmarking and other relevant data. The key objective is to ensure that Directors are remunerated fairly, having regard to their skills, experience and responsibility.

The Directors' fees are determined within an aggregate Director fee pool limit which is periodically approved by shareholders at the Annual General Meeting (AGM) and subject to annual indexation. The current fee pool is \$1,289,617 for the 2020 financial year and is based on the amount last approved at the 2018 AGM. Decision has been made by the Remuneration Committee and the Board that no increase will be afforded to the Directors in the 2020 calendar year.

Notably, UniSuper has both independently appointed Directors and representative Directors. Accordingly, the remuneration of Directors differs between these two categories, as follows:

- Independently appointed Directors - the fees are based on comparative positions in the financial services sector; and
- Representative Directors - the fees are compared to Directors of other profit-for-members superannuation funds.

The fees payable to individual Directors may be delivered as a combination of cash and superannuation at the Director's discretion (subject to minimum superannuation guarantee requirements).

BOARD AND COMMITTEE FEES FOR THE 2020 AND 2019 FINANCIAL YEARS:

	2020 \$	2019 \$
Board		
Chair	240,680	236,880
Other independently appointed Directors	120,340	118,440
Representative Directors	60,170	59,220
Committee chairs		
Investment	41,490	40,840
Audit Risk and Compliance, Insurance, Technology & Projects	31,120	30,630
Remuneration	19,290	18,990
Committee members		
Investment, Audit Risk and Compliance, Insurance, Technology & Projects	19,710	19,400
Remuneration	12,240	12,050

The Board chair fee is all inclusive. Fees for other Directors are the sum of the Board fee plus additional fees aligned to the roles played in the individual Board Committees.

Directors do not receive performance related incentives, long service leave, retirement or termination benefits.

Directors are appointed or elected for a term of three years but are eligible for further terms subject to being reappointed or re-elected.

AGGREGATE DIRECTORS' REMUNERATION INFORMATION FOR THE 2020 AND 2019 FINANCIAL YEARS:

DIRECTOR	YEAR	SHORT TERM	POST EMPLOYMENT	TOTAL \$
<i>Role & appointment details</i>		<i>Cash salary (\$)</i>	<i>Super (\$)</i>	
Geoffrey Ian Martin Non-Executive Director & Chairman	2020	219,799	20,881	240,680
	2019	216,349	20,531	236,880
Mark Armour Non-Executive Director	2020	176,210	16,740	192,950
	2019	174,575	16,585	191,160
Professor Peter Dawkins¹ Non-Executive Director	2020	79,880	-	79,880
	2019	78,620	-	78,620
Professor Jane den Hollander Non-Executive Director	2020	75,566	7,179	82,745
	2019	71,979	6,231	78,210
Nicole Gower² Non-Executive Director	2020	79,880	-	79,880
	2019	79,412	-	79,412
Professor Lelia Green Non-Executive Director	2020	72,950	6,930	79,880
	2019	71,799	6,821	78,620
Neville Kitchin³ Non-Executive Director (resigned 20 February 2020)	2020	35,212	3,045	38,257
	2019	65,524	6,225	71,749
Grahame McCulloch Non-Executive Director	2020	84,128	7,992	92,120
	2019	73,226	4,973	78,199
Nicolette Rubinsztein Non-Executive Director	2020	156,320	14,850	171,170
	2019	153,854	14,616	168,470
Stephen Somogyi Non-Executive Director	2020	83,370	7,920	91,290
	2019	82,055	7,795	89,850
Keith Tull Non-Executive Director (term completed 11 November 2019)	2020	26,546	2,522	29,068
	2019	71,799	6,821	78,620
Amy Griffiths Non-Executive Director (from 11 November 2019)	2020	35,107	3,335	38,442
	2019	-	-	-
Sarah Roberts⁴ Non-Executive Director (from 18 May 2019)	2020	7,117	-	7,117
	2019	-	-	-
TOTAL	2020	1,132,085	91,394	1,223,479
	2019	1,139,192	90,598	1,229,790

¹ Remuneration for Professor Dawkins is paid to his employer - Victoria University.

² Remuneration for Nicole Gower is paid to her employer - Macquarie University.

³ Cash salary remuneration for Neville Kitchin is paid to his employer - Community and Public Sector Union. The superannuation component was paid to his nominated superannuation account.

⁴ Remuneration for Sarah Roberts is paid to her employer - National Tertiary Education Union

C Executive remuneration

C.1 OVERVIEW

All Executives are employed and paid by USM (the fund administrator) which is wholly owned by USL in its capacity as trustee of UniSuper.

Importantly, USM has a formal remuneration policy in place. The remuneration policy is designed to be robust and transparent and to support the business strategy and goals. At all times there is a focus on aligning Executive remuneration outcomes with ensuring greater retirement outcomes for our members. This policy also articulates clear governance gateway consequences and risk expectations of every Executive member.

The Board seeks the advice of an independent remuneration consultant to ensure remuneration for Executive officers is appropriate and in line with the broader financial services market. Executives do not receive any equity based remuneration.

C.2 UNISUPER'S GUIDING REMUNERATION PRINCIPLES

The Policy details the remuneration philosophy, structures and objectives designed to achieve UniSuper's purpose – "to provide greater retirement outcomes for members" and support the achievement of our vision to be the "best value superannuation fund in Australia".

USM's Remuneration philosophy is to provide fair, flexible and competitive remuneration, reflective of market practice. Specifically;

- For competent, performing employees, USM will target the relevant market median; and
- Employees who are consistent high performers and demonstrate leadership potential will, over time, be positioned around the 75th percentile of the relevant market.

The Policy aims to achieve the following objectives:

- Encourage behaviours that support UniSuper's culture, risk appetite and values;
- Appropriately reward UniSuper employees for their performance outcomes;
- Reward performance that contributes to Fund strategy and success;
- Assure gender pay equity;
- Attract, motivate and retain high calibre employees; and
- Encourage behaviours that support the risk management framework and align remuneration to prudent risk taking with utilisation of the USM Governance Gateway.

At all times, there is an overarching focus on ensuring that Executives (and their teams) meet the governance gateway behavioural expectations and live UniSuper's values in performing their work and delivering greater retirement outcomes for our members.

C.3 REMUNERATION COMPONENTS

There are two components that make up an individual's total remuneration package:

- a. Fixed remuneration; and
- b. Variable remuneration.

C.4 FIXED REMUNERATION

Fixed remuneration is made up of base salary and employer superannuation contributions. Base salary may be delivered as a combination of cash and prescribed non-financial benefits. Fixed remuneration is reviewed annually; however, annual fixed remuneration increases are not guaranteed (and are assessed on a case by case basis).

For the 2020-21 financial year, due to COVID-19 and the impact on our members and Higher Education Sector, the CEO and Executive team will receive a nil fixed remuneration uplift and the remaining eligible employees will receive a nominal increase.

C.5 VARIABLE REMUNERATION

At the discretion of the USM Board, Executives may be eligible to receive an annual incentive (sometimes referred to as performance-based remuneration) in recognition of higher levels of performance.

The incentive is comprised of two components:

- a. UniSuper corporate performance; and
- b. Individual (and team) performance.

The incentive forms part of the annual performance management cycle (described in more detail below). It is calculated on an annual cycle (with approval by the USM Remuneration Committee and Board post 30 June) and is payable in September. All incentives are paid in cash with no access to any share-based payments.

a. UniSuper corporate performance component

The UniSuper corporate performance component focuses on the overall performance of UniSuper as an organisation. It is linked to the three key result areas (KRAs) of:

1. Great value;
2. Excellent service; and
3. Meeting targets and stretch targets in the following key areas:
 - Strong investment performance both short and medium term;
 - Competitive fees charged to members;
 - Service levels;
 - Member retention;
 - Fund inflows;
 - Employee engagement and turnover; and
 - Cost control.

b. Individual (and team) component

First and foremost, the individual (and team) component at all times requires the mandatory attainment of clear expectations in relation to individual governance requirements and workplace behaviours (i.e. a governance and behavioural gateway).

It is also directly linked to achieving outcomes specific to the area of the Executive's operation and control (and such outcomes will vary from year to year depending on the business plan). As such, the annual performance management cycle underpins the individual component of the annual incentive.

The annual performance management cycle (for all employees, including Executives) incorporates three phases:

1. Planning of agreed targets and exceed targets for the year ahead, for both the Fund and the individual;
2. Tracking and providing feedback on performance during the year; and
3. Review and assessment of performance against agreed targets at the end of the year.

In order to utilise their strengths and provide new skills and knowledge, Executives are also provided with targeted learning and development opportunities.

Accordingly, the individual component of the annual incentive is linked to performance against targets (which are developed and agreed annually as part of the above performance management cycle) and includes rigorous assessment and scrutiny by the Board Remuneration Committee and Board.

C.6 VARIABLE REMUNERATION IS AT RISK

The award of an incentive to an Executive is never guaranteed and is always at the full discretion of the Board (with advice from the Remuneration Committee). Any decisions to award an incentive are based on market relativities and the level of direct impact each individual can have on the results of the Fund.

Importantly, good governance underpins everything we do at UniSuper and all employees are expected to adhere to a set of core governance standards and behavioural expectations. This sets a threshold that must be met before any incentives are awarded (i.e. a governance and behavioural gateway).

C.7 MAXIMUM VARIABLE REMUNERATION

During 2019 an 'on target' incentive opportunity was introduced alongside a 'maximum' incentive opportunity. The maximum potential incentive that may be awarded to any Executive is 40%, 150% maximum for the Chief Investment Officer and 50% maximum for the Chief Executive Officer of their fixed remuneration amount.

As noted above, the payment of any incentive to an Executive is always at the discretion of the Board. The weighting accorded to each of the two components that underpin the annual incentive (i.e. UniSuper corporate performance and individual performance) is also at the discretion of the board and is considered in the full context of UniSuper, its performance and the individual performance of an Executive (and that of their team).

C.8 INDIVIDUAL USM EXECUTIVE REMUNERATION

USM is committed to the highest levels of transparency and disclosure regarding each Executive.

The aggregate level of remuneration (i.e. fixed plus variable remuneration) for all Executives (for the 2019/2020 financial year) is provided below.

EXECUTIVE ⁵	YEAR	SHORT TERM		POST EMPLOYMENT	LONG TERM	TERMINATION ⁶ (\$)	TOTAL (\$)
		Cash salary ⁷ (\$)	Cash incentive ⁸ (\$)	Super (\$)	Long service ⁹ (\$)		
Role & appointment details							
Kevin O'Sullivan Chief Executive Officer	2020	575,690	273,375	97,867	26,134	-	973,066
	2019	512,820	235,200	87,180	14,120	-	849,320
Kevin Roadnight Chief Operations Officer (from 18 November 2019)	2020	180,884	65,799	30,750	282	-	277,715
	2019	-	-	-	-	-	-
John Dyer Chief Financial Officer ¹⁰ (to 31 July 2019)	2020	31,755	-	16,538	-	428,072	476,365
	2019	294,790	89,255	50,114	9,455	-	443,614
Anna Leibel¹¹ Chief Delivery & Information Officer	2020	397,880	157,116	67,639	4,058	-	626,693
	2019	343,077	102,457	54,923	475	-	500,932
Jack McCartney Chief, Financial Advice (to 27 March 2020)	2020	248,205	60,304	51,024	-	21,520	381,053
	2019	312,204	115,169	53,075	4,631	-	485,079
John Pearce¹² Chief Investment Officer	2020	601,312	950,130	102,223	19,217	-	1,672,882
	2019	589,744	1,022,580	100,256	16,237	-	1,728,817
Lee Scales Chief Customer Officer	2020	345,101	130,971	58,667	10,886	-	545,625
	2019	338,462	123,235	57,539	9,319	-	528,555
Julie Watkins¹³ Chief People Officer	2020	294,790	123,288	50,114	3,022	-	471,214
	2019	267,604	89,878	45,493	389	-	403,364
Anand Thomas Chief Strategy & Marketing Officer (from 22 July 2019)	2020	297,091	114,285	50,505	451	-	462,332
	2019	-	-	-	-	-	-
Andrew Raftis Chief Risk Officer (from 29 June 2020)	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
Tim Anderson Executive Manager – Marketing & Product (to 10 May 2019)	2020	-	-	-	-	-	-
	2019	253,382	64,634	41,089	12,726	197,378	569,209
Nick Drohan Executive Manager – Program Management (to 17 May 2019)	2020	-	-	-	-	-	-
	2019	279,870	67,103	25,469	(3,136)	103,799	473,105
Steven Leach Executive Manager – Operations (to 30 April 2019)	2020	-	-	-	-	-	-
	2019	231,098	75,798	39,287	9,430	-	355,613
TOTAL	2020	2,972,708	1,875,268	525,327	64,050	449,592	5,886,945
	2019	3,423,051	1,985,309	554,425	73,646	301,177	6,337,608

⁵ The above table includes permanent appointments only.

⁶ This relates to contractual obligations paid to Executives in certain circumstances on departure.

⁷ Cash salary includes the total cost of salary including annual leave accrual and any salary sacrificed benefits.

⁸ The Cash STI incentive applicable to each financial year is reviewed by the USM Remuneration Committee and approved by the USM Board post 30 June and paid in September, subsequent to the end of the financial year.

⁹ This includes the net of long service leave entitlements accrued/paid during the year calculated under the relevant accounting standard and in some cases entitlements have not yet vested with the Executive.

¹⁰ Following a review of the USM organisation, the Chief Financial Officer role has been restructured and a Chief Operating Officer role created. John Dyer, CFO, ceased employment with USM on 31 July 2019.

¹¹ This Executive purchased additional annual leave. Full time fixed remuneration package (salary and superannuation) is \$475,000.

¹² This Executive is entitled to an additional two weeks annual leave.

¹³ This Executive took one week of unpaid leave.

SUMMARY OF EXECUTIVE OFFICER ANNUAL INCENTIVE PAYMENTS:

EXECUTIVE	YEAR ¹⁴	FIXED REM (\$)	'MAXIMUM' INCENTIVE AS % OF FIXED REMUNERATION	VARIABLE (INDIVIDUAL/COMPANY) COMPONENTS (%)	GRANTED (%)	VESTED (\$)
Kevin O'Sullivan	2020	675,000	50%	60/40	81%	273,375
Kevin Roadnight (from 18 November 2019)	2020	355,000	40%	65/35	75%	65,799
Anna Leibel ¹⁵	2020	456,740	40%	65/35	84%	157,116
John Pearce	2020	703,800	150%	65/35	90%	950,130
Lee Scales	2020	403,920	40%	65/35	81%	130,971
Julie Watkins	2020	352,000	40%	65/35	88%	123,288
Anand Thomas (from 22 July 2019)	2020	375,000	40%	65/35	81%	114,285

¹⁴ The incentives applicable to the 2020 financial year were reviewed by the Remuneration Committee and approved by the USM Board post 30 June and paid in September, subsequent to the end of the financial year.

¹⁵ This Executive purchased additional annual leave. Full time fixed remuneration package (salary and superannuation) is \$475,000.

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