

# Remuneration at UniSuper

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, executive officers 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 officer remuneration practices.

## 1. 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 perform 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

During this reporting period, the Remuneration Committee engaged EY to advise on directors' remuneration and Reward Results to advise on executive remuneration.

## 2. Director’s remuneration

All of the directors are employed by UniSuper Limited, the RSE Licensee. In setting the directors’ remuneration, the 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 \$1,243,200 for the 2018 financial year and is based on the amount last approved at the 2017 AGM.

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 not-for-profit 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).

### 2018 and 2017 Board and Committee fees

ROLE	2018 FY (\$)	2017 FY (\$)
<b>BOARD</b>		
Chair	232,000	222,200
Other independently appointed directors	116,000	111,100
Representative directors	58,000	55,550
<b>COMMITTEE CHAIRS</b>		
Investment	40,000	37,370
Audit Risk and Compliance, Insurance	30,000	27,775
Remuneration	18,600	17,170
<b>COMMITTEE MEMBERS</b>		
Investment, Audit Risk and Compliance, Insurance	19,000	18,685
Remuneration	11,800	11,615

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

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

## Aggregate director remuneration for the 2018 and 2017 financial years

DIRECTOR ROLE & APPOINTMENT DETAILS	YEAR	SHORT TERM	POST EMPLOYMENT	TOTAL (\$)
		CASH SALARY (\$)	SUPER (\$)	
<b>Ian Martin</b>	<b>2018</b>	<b>211,951</b>	<b>20,049</b>	<b>232,000</b>
Non-executive director & Chairman (Chairman from 1 July 2017)	2017	146,196	13,889	160,085
<b>Mark Armour</b>	<b>2018</b>	<b>137,671</b>	<b>13,079</b>	<b>150,750</b>
Non-executive director (from 1 July 2017)	2017	-	-	-
<b>Professor Peter Dawkins<sup>1</sup></b>	<b>2018</b>	<b>77,000</b>	-	<b>77,000</b>
Non-executive director	2017	74,235	-	74,235
<b>Professor Jane den Hollander<sup>2</sup></b>	<b>2018</b>	<b>74,333</b>	-	<b>74,333</b>
Non-executive director	2017	67,165	-	67,165
<b>Nicole Gower<sup>3</sup></b>	<b>2018</b>	<b>38,979</b>	-	<b>38,979</b>
Non-executive director (from 30 October 2017)	2017	-	-	-
<b>Professor Lelia Green</b>	<b>2018</b>	<b>70,320</b>	<b>6,680</b>	<b>77,000</b>
Non-executive director	2017	57,079	5,422	62,501
<b>Neville Kitchin<sup>4</sup></b>	<b>2018</b>	<b>70,320</b>	<b>6,680</b>	<b>77,000</b>
Non-executive director	2017	59,263	26,762	86,025
<b>Grahame McCulloch<sup>5</sup></b>	<b>2018</b>	<b>69,800</b>	-	<b>69,800</b>
Non-executive director	2017	55,550	-	55,550
<b>Nicolette Rubinsztein</b>	<b>2018</b>	<b>147,336</b>	<b>13,997</b>	<b>161,333</b>
Non-executive director	2017	135,589	12,881	148,470

DIRECTOR		SHORT TERM	POST EMPLOYMENT	
ROLE & APPOINTMENT DETAILS	YEAR	CASH SALARY (\$)	SUPER (\$)	TOTAL (\$)
<b>Stephen Somogyi</b>	<b>2018</b>	<b>80,365</b>	<b>7,635</b>	<b>88,000</b>
Non-executive director	2017	76,096	7,229	83,325
<b>Keith Tull</b>	<b>2018</b>	<b>70,320</b>	<b>6,680</b>	<b>77,000</b>
Non-executive director	2017	67,794	6,441	74,235
<b>Christopher Cuffe</b>	<b>2018</b>	-	-	-
Non-executive director & Chairman (to 30 June 2017)	2017	202,922	19,278	222,200
<b>Dr Susan Gould</b>	<b>2018</b>	<b>37,926</b>	<b>3,603</b>	<b>41,529</b>
Non-executive director (to 30 October 2017)	2017	108,840	10,340	119,180
<b>TOTAL</b>	<b>2018</b>	<b>1,086,321</b>	<b>78,403</b>	<b>1,164,724</b>
	<b>2017</b>	<b>1,050,729</b>	<b>102,242</b>	<b>1,152,971</b>

<sup>1</sup> Remuneration for Professor Dawkins is paid to his employer - Victoria University.

<sup>2</sup> Remuneration for Professor den Hollander is paid to her employer - Deakin University.

<sup>3</sup> Remuneration for Nicole Gower is paid to her employer - Macquarie University

<sup>4</sup> Cash salary remuneration for Neville Kitchin is split with \$17,352 (2017 - \$8,532) paid to him personally and \$52,968 (2017 - \$50,731) paid to his employer - Community and Public Sector Union. The superannuation component for both years was paid to his nominated superannuation account.

<sup>5</sup> Remuneration for Grahame McCulloch is paid to his employer - National Tertiary Education Union.

## 3. Executive officer remuneration

### 3.1 OVERVIEW

All executive officers 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.

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.

### 3.2 UNISUPER'S GUIDING REMUNERATION PRINCIPLES

The following practical principles underpin the remuneration policy and guide UniSuper in its approach to remuneration:

- Linking an individual's performance to the business strategy, goals, standards and values;
- Creating a clear distinction between fixed remuneration and performance-linked variable rewards;
- Focusing employees on the major requirements and targets of their role;
- Setting stretching but realistic and relevant performance targets;
- Supporting prudent risk taking by aligning remuneration arrangements with UniSuper's risk management framework;
- Providing a formal two-way feedback mechanism for employees; and
- Encouraging all employees to attain their full potential through continuous learning.

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

### 3.3 REMUNERATION COMPONENTS

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

- a. Fixed remuneration; and
- b. Performance based remuneration.

### 3.4 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).

### 3.5 PERFORMANCE BASED REMUNERATION

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

The bonus is comprised of two components:

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

The bonus 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 bonuses 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. Relevant choice.

This component includes 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; 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 officer'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 bonus.

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

1. Planning of agreed targets and stretch 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 bonus 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.

### **3.6 PERFORMANCE BASED REMUNERATION IS AT RISK**

The award of a bonus to an executive officer is never guaranteed and is always at the full discretion of the Board (with advice from the Remuneration Committee). Any decisions to award a bonus 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 bonuses are awarded (i.e. a governance and behavioural gateway).

### **3.7 MAXIMUM POTENTIAL PERFORMANCE BASED REMUNERATION**

The maximum potential bonus that may be awarded to any executive officer, including the Chief Executive Officer, ranges from 30% to 140% of their fixed remuneration (and depends on their role and the terms of their employment contract).

As noted above, the payment of any bonus to an executive officer is always at the discretion of the Board. The weighting accorded to each of the two components that underpin the annual bonus (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 officer (and that of their team).

### **3.8 INDIVIDUAL USM EXECUTIVE OFFICER REMUNERATION**

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

## 2018 and 2017 aggregate executive officer remuneration outcomes

The aggregate level of remuneration (i.e. fixed plus performance based remuneration) for all executive officers (for the 2018 and 2017 financial years) is provided below.

EXECUTIVE OFFICER ROLE & APPOINTMENT DETAILS	YEAR	SHORT TERM		POST EM- PLOYMENT	LONG TERM	TERMIN- ATION <sup>4</sup> (\$)	TOTAL
		CASH SALARY <sup>1</sup> (\$)	CASH STI BONUS <sup>2</sup> (\$)	SUPER (\$)	LONG SERVICE <sup>3</sup> (\$)		
<b>Kevin O'Sullivan</b>	<b>2018</b>	<b>512,820</b>	<b>240,600</b>	<b>87,180</b>	<b>19,880</b>	-	<b>860,480</b>
Chief Executive Officer	2017	512,557	150,000	87,135	22,052	-	771,744
<b>Tim Anderson</b>	<b>2018</b>	<b>260,602</b>	<b>76,311</b>	<b>44,302</b>	<b>7,903</b>	-	<b>389,118</b>
Executive Manager – Marketing & Product	2017	256,147	52,651	43,545	9,493	-	361,836
<b>Nicholas Drohan</b>	<b>2018</b>	<b>287,232</b>	<b>79,285</b>	<b>27,287</b>	<b>2,777</b>	-	<b>396,581</b>
Executive Manager - Program Management (from 12 December 2016)	2017	146,558	38,088	13,923	359	-	198,928
<b>John Dyer</b>	<b>2018</b>	<b>290,516</b>	<b>86,088</b>	<b>49,388</b>	<b>9,219</b>	-	<b>435,211</b>
Chief Financial Officer	2017	286,193	71,858	48,653	10,084	-	416,788
<b>Steven Leach</b>	<b>2018</b>	<b>256,328</b>	<b>77,760</b>	<b>43,576</b>	<b>7,887</b>	-	<b>385,551</b>
Executive Manager – Operations	2017	251,939	44,693	42,830	9,072	-	348,534
<b>Anna Leibel<sup>5</sup></b>	<b>2018</b>	<b>411,000</b>	-	-	-	-	<b>411,000</b>
Executive Manager – Technology (from 8 May 2017)	2017	76,000	-	-	-	-	76,000
<b>Jack McCartney</b>	<b>2018</b>	<b>308,119</b>	<b>108,029</b>	<b>52,380</b>	<b>13,750</b>	-	<b>482,278</b>
Executive Manager – Advice (& Employer Relationships to 19 March 2018)	2017	306,579	103,179	52,118	12,105	-	473,981
<b>John Pearce<sup>6</sup></b>	<b>2018</b>	<b>589,744</b>	<b>882,924</b>	<b>100,256</b>	<b>16,238</b>	-	<b>1,589,162</b>
Chief Investment Officer	2017	589,480	724,517	100,212	19,529	-	1,433,738
<b>Lee Scales</b>	<b>2018</b>	<b>315,894</b>	<b>111,838</b>	<b>53,702</b>	<b>16,136</b>	-	<b>497,570</b>
Executive Manager – Member & People Services, Chief Customer Officer (from 19 March 2018)	2017	303,221	87,860	51,548	10,495	-	453,124

EXECUTIVE OFFICER ROLE & APPOINTMENT DETAILS	YEAR	SHORT TERM		POST EMPLOYMENT	LONG TERM	TERMIN- ATION <sup>4</sup> (\$)	TOTAL
		CASH SALARY <sup>1</sup> (\$)	CASH STI BONUS <sup>2</sup> (\$)	SUPER (\$)	LONG SERVICE <sup>3</sup> (\$)		
<b>Sean Hughes</b>	<b>2018</b>	-	-	-	-	-	-
Chief Risk & Legal Officer (to 8 June 2017)	2017	334,715	-	29,898	(3,398)	-	361,215
<b>Shane Collister</b>	<b>2018</b>	-	-	-	-	-	-
Executive Manager – Technology & Projects (to 12 December 2016)	2017	196,008	-	28,646	(8,327)	206,700	423,027
<b>TOTAL</b>	<b>2018</b>	<b>3,232,255</b>	<b>1,662,835</b>	<b>458,071</b>	<b>93,790</b>	<b>-</b>	<b>5,446,951</b>
	<b>2017</b>	<b>3,259,397</b>	<b>1,272,846</b>	<b>498,508</b>	<b>81,464</b>	<b>206,700</b>	<b>5,318,915</b>

<sup>1</sup> Cash salary includes the total cost of salary including annual leave accrual and any salary sacrificed benefits.

<sup>2</sup> The Cash STI bonus 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.

<sup>3</sup> 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.

<sup>4</sup> This relates to contractual obligations paid to executives in certain circumstances on departure.

<sup>5</sup> The remuneration for this executive was paid to her corporate entity.

<sup>6</sup> This executive is entitled to an additional two weeks annual leave.

## Summary of executive officer annual bonus payments

EXECUTIVE OFFICER	YEAR <sup>1</sup>	FIXED REMUNER- ATION	STI BONUS OPPORTUNITY AS % OF FIXED REMUNERATION	PERFORMANCE BASIS (GROUP/ INDIVIDUAL) COMPONENTS (%)	GRANTED (%)	FOREGONE (%)	VESTED
Kevin O'Sullivan	2018	600,000	50%	40/60	80.20%	19.80%	240,600
Tim Anderson	2018	305,000	30%	30/70	83.40%	16.60%	76,311
Nicholas Drohan	2018	315,000	30%	30/70	83.90%	16.10%	79,285
John Dyer	2018	340,000	30%	30/70	84.40%	15.60%	86,088
Steven Leach	2018	300,000	30%	30/70	86.40%	13.60%	77,760
Jack McCartney	2018	360,576 <sup>2</sup>	40%	30/70	74.90%	25.10%	108,029
John Pearce	2018	690,000	140%	30/70	91.40%	8.60%	882,924
Lee Scales (to 18 March 2018)	2018	360,000	30%	30/70	91.40%	8.60%	70,586
Lee Scales (from 19 March 2018)	2018	396,000	40%	30/70	91.40%	8.60%	41,252

<sup>1</sup> The performance bonuses applicable to the 2018 financial year were reviewed by the Remuneration Committee and approved by the USM Board post 30 June and paid to executives in September 2018.

<sup>2</sup> The Fixed Remuneration package for this executive is \$375,000 however he has elected to take additional annual leave which is reflected in the figure disclosed and which is the package figure on which the bonus was calculated.