



# REMUNERATION POLICY

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**Policy Owner:** Chief People and Communications Officer

**Policy Approver:** Board

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## Background

### Overview

Tyro is committed to attracting, rewarding and retaining the best people to work in the organisation. A key element in achieving that objective is to ensure that Tyro appropriately and competitively remunerates its team. This Policy specifically considers remuneration arrangements for particular categories of roles and employees as set out in APRA prudential standard CPS 510. While this Policy outlines the key concepts and principles of Tyro's approach to remuneration, further information is also contained in the HR Policy and various performance management and 'way of working' frameworks developed by the People team.

This Policy forms part of Tyro's Risk Management Framework.

### Policy scope

This Policy applies to the following Tyro personnel:

- each 'Responsible Person' as defined in APRA prudential standard CPS 520 and set out in Tyro's Fit and Proper Policy, but excluding each non-executive director and external auditors (unless specifically referenced in this Policy);
- persons whose primary role is risk management, compliance, internal audit, financial control or actuarial control ('**risk and financial control personnel**'); and
- all other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of Tyro.

This Policy also applies to service contracts between a Tyro group company and a body that is not a related body corporate of Tyro (**Third Party Service Contracts**), if:

- the primary role of the body is to provide risk management, compliance, internal audit, financial control or actuarial control services to Tyro; or
- the services provided by the body, either individually or collectively with like services provided by other bodies, may affect the financial soundness of Tyro and under the services contract a significant portion of the total payments to the body is based on performance.

Third Party Service Contracts however are not covered by this Policy if:

- Tyro's risk management framework explicitly addresses the structure of payments to bodies of the relevant kind and the risk that payment incentives can give rise to inappropriate behaviour; and
- oversight of this risk has been delegated to a Tyro Board committee.

### Purpose

The purpose of this Policy is to establish a framework for remuneration that:

- aligns with Tyro's vision, values and strategy;
- ensures simple and transparent remuneration policies and practices which enable the attraction and retention of directors, executive leadership team members, and employees who all create value for shareholders;
- fairly and responsibly rewards directors, executive leadership team members and employees having regard to Tyro's performance, individual performance, and the changing market conditions;
- supports the prevention and mitigation of conduct risk, including any conflict of interest; and
- complies with all relevant legal and regulatory requirements including the Banking Executive Accountability Regime (**BEAR**) which is administered by APRA and the Financial Accountability Regime (**FAR**) once it replaces the BEAR.

## Key Concepts and Principles

### Responsibility

The People Committee (**Committee**) is responsible, amongst other things, for assisting the Board to determine the appropriate remuneration for directors, senior management, and team members.

## Principles

To fulfil the role of the Committee set out above, the Committee members must refer to the purpose and key principles underpinning this Policy when developing recommendations to the Board regarding remuneration.

Tyro's remuneration framework and practices are underpinned by the following principles and objectives:

- A simple and transparent approach that all participants can easily understand.
- Shareholder value creation that is delivered through a strong focus on appropriate short-term goals that build towards long-term performance.
- Remuneration is reflective of the broader Tyro employee value proposition and is competitive in the external talent market to attract and retain top talent.
- Tyro's strong values and risk culture that influences employee remuneration outcomes.
- Performance-based remuneration is designed to promote the effective management of financial and non-financial risks, sustainable performance and support Tyro's long-term financial soundness and risk-management framework.
- The remuneration structure for risk and financial control personnel, including performance-based components, does not compromise the independence of those personnel in carrying out their functions.
- Remuneration arrangements that are fit-for-purpose and reflect the measurable value of performance and the non-financial drivers of longer-term value creation.
- Ensures compliance of all relevant legal and regulatory obligations.

## Remuneration Framework

Tyro undertakes the following initiatives to ensure its remuneration framework is aligned to its business plan, strategic objectives and risk management framework.

- Setting of Key Performance Indicators for each team member that include business, risk and behaviour-based metrics that are aligned with the overall business strategy.
- Strong performance management framework that recognises and rewards high-performance and behaviours that are in line with Tyro's values, including its risk culture.
- Incentive programs that reward short-term and long-term performance and require the achievement of set risk metrics.
- Tyro implements the following systems and processes to support its remuneration arrangements, including those relating to the assessment and management of:
  - Performance: Financial and non-financial KPIs (including risk and behavioural metrics) are set annually for every employee and performance against these is assessed formally twice a year. There is a Performance Management policy to guide leaders in the event that performance deviates from expectations.
  - Conduct: Expectations regarding conduct are outlined in the HR Policy which must be signed by all employees when they join Tyro and reshared at least annually. Desired behaviours are also outlined in our Values and risk framework which are incorporated into our performance management process.
  - Consequences: The Performance Management Policy outlines the course of action where performance or behaviour does not meet set expectations. This may result in consequences including, but not limited to, reduced remuneration outcomes such as the disqualification from participating in the Short-Term Incentive Program, to termination of employment.

## Management of Conflicts (Third Party Service Providers)

Tyro seeks to identify and mitigate material conflicts to its remuneration framework objectives (as set out in the table above under 'Remuneration Framework') that may result from third-party service provider compensation arrangements by requiring all contracts to be reviewed by its legal team, the relevant executive team member and human resources team.

### Remuneration Approach

When setting and reviewing remuneration for all employees of Tyro, consideration is given to:

- the responsibilities of the role and individual skills and experience required to meet the requirements of the role;
- market positioning;
- performance against set KPIs;
- external competitiveness; and
- internal relativities.

Tyro is committed to gender diversity and equality and recognises that there may be instances when gender pay gaps may inadvertently exist. Tyro is committed to taking active steps to identify and rectify any such identified gaps and will always comply with disclosure and reporting requirements regarding workplace gender equity.

### Remuneration packages for employees

Remuneration for employees, including executive directors, the executive leadership team and other senior employees may incorporate fixed and variable pay elements, with variable remuneration focusing on both short-term and long-term performance. Remuneration packages may contain any or all of the following:

**Annual Base Salary** – reviewed annually for all eligible employees. Any salary increases consider a variety of factors including individual performance, overall company business performance and outlook, industry salary movements, and legal or regulatory obligations.

**Short Term Incentive** – linked to Tyro's values, risk culture, vision and strategic priorities for the relevant financial year. Based on performance against financial measures, customer outcomes and individual achievement of KPI's. Awarded at the discretion of the Board. A portion of the short-term incentive, where payable, may be via equity-based instruments. The payment of short-term incentives (and grant of any associated equity-based instruments) generally occurs annually following the publication of Tyro's full-year audited financial statements.

**Long Term Incentive** – long-term equity-based remuneration is awarded to key nominated employees at the discretion of the Board. The performance metrics, payment and vesting periods are set to comply with regulatory obligations and to also incentivise sustained growth and long-term shareholder wealth creation.. The grant of equity instruments relating to the long-term incentive generally occurs annually following the publication of Tyro's full-year audited financial statements.

**Sales Incentive** – incentive remuneration for a select group of employees in the Growth function excluding any Responsible Persons. Incentives are awarded on a monthly and quarterly basis upon the achievement of set targets.

**Other Statutory Benefits** – superannuation, annual leave, sick and personal leave, parental leave and long service leave benefits.

### Remuneration for non-executive directors

Non-executive directors receive fees for their services. The aggregate amount of non-executive director fees payable is capped at the shareholder approved fee pool limit. The Board, on the recommendation of the People Committee, determines the fees payable to non-executive directors within the current fee pool limit and these fees are disclosed each year in Tyro's remuneration report.

### Assessing remuneration

The Committee will make recommendations to the Board regarding the remuneration of employees, including executive directors and executive leadership team members, having regard to various factors including performance and recommendations made by the CEO, compensation consultants and other advisors. The Committee will also make recommendations to the Board regarding the remuneration of non-executive directors having regard to, amongst other things, recommendations made by compensation consultants and other advisors.

The Board may, in its absolute discretion, proportionately to the severity or the risk and conduct outcome adjust the performance-based components of employee remuneration downwards, to zero if appropriate, if such adjustments are necessary to:

- protect the financial soundness of Tyro;
- respond to significant unexpected or unintended consequences that were not foreseen by the Committee or the Board, as relevant or;
- where there risk or conduct outcomes have not been met.

In addition, and in line with regulatory obligations, malus and claw back provisions are incorporated into the Short and Long Term Incentives offered to the senior executive team. Where an employee is being investigated for any type of misconduct, measures will be taken to ensure that any unvested remuneration does not vest until any investigation is closed.

## Responsible Persons

In accordance with APRA's Prudential Standard CPS 510 'Governance' and APRA Prudential Standard CPS 511 (Remuneration), the Board upon recommendation of the Committee will review and approve the remuneration arrangements and outcomes for:

- each Responsible Person (on an individual basis);
- highly-paid material risk-takers, other material risk-takers and risk and financial control personnel (on a cohort basis);
- any other persons determined by the Board.

'Highly-paid material risk takers' and 'material risk-takers' have the meaning given to those terms in APRA Prudential Standard CPS 511 (Remuneration).

Responsible Persons for the purpose of this Policy include all the roles listed in Tyro's Fit and Proper Policy.

## Prohibition on hedging

In addition to the requirements of Tyro's Securities Trading Policy, Responsible Persons (as defined in APRA prudential standard CPS 520 and set out in Tyro's Fit and Proper Policy, but excluding each non-executive director and external auditors) who receive equity or equity-linked deferred remuneration must not hedge their economic exposures to the resultant equity price risk before the equity instrument or equity-linked remuneration has fully vested and is no longer subject to any trading restrictions.

A breach by such a Responsible Person of this prohibition on hedging may lead to disciplinary action by Tyro, including termination of employment.

## BEAR / FAR provisions

In relation to remuneration of accountable persons, the BEAR requires a prudentially regulated Authorised Deposit-taking Institution (**ADI**) to:

- comply with deferred remuneration obligations that mean it must ensure the payment of a portion of the variable remuneration of accountable persons is deferred for the minimum period required by the BEAR;
- have a remuneration policy in force that requires the variable remuneration of an acceptable person be reduced in instances where they have not complied with their BEAR obligations;
- ensure that if the remuneration policy requires that variable remuneration to be reduced because of that failure, the amount of the reduction is not paid to the person; and
- take reasonable steps to ensure that if variable remuneration becomes payable to an accountable person of a significant related entity of the ADI, the significant related entity will comply with the obligations that the ADI would otherwise be required to meet.

In the event that aspects of this Policy and applicable requirements of the BEAR are inconsistent in relation to the payment of a portion of variable remuneration of an accountable person, to the extent of the inconsistency, the BEAR will prevail and otherwise full effect will be given to this Policy.

The Banking Executive Accountability Regime (**BEAR**) is due to be replaced by the Financial Accountability Regime (**FAR**) on 15 March 2024. References in this Policy to the BEAR are to be read as references to the FAR, on and from implementation of the FAR by Tyro.

## Variable remuneration for BEAR/FAR accountable persons

Variable remuneration for purposes of the BEAR is so much of an accountable person's total remuneration as is conditional on the achievement of objectives.

However, the general principle is subject to modification by APRA as it can specify by written notice to the Company that remuneration of a particular kind of an accountable person is or is not variable remuneration.

## Accountable persons

An individual is an accountable person of the Company in the circumstances prescribed by the BEAR. These are:

- If he or she:
  - holds a position in the Company or in another body corporate of which it is a subsidiary; and
  - because of the position, the individual has actual or effective senior executive responsibility for management or control of the Authorised Deposit-Taking Institution (ADI), management or control of a significant or substantial part or aspect of the operations of the ADI or the ADI's relevant group.
- If he or she holds a position in or relating to the ADI and because of that position he or she has a responsibility relating to the ADI of a kind specified by the Minister by legislative instrument.

## Other matters

### Amendment of Policy

This Policy can only be amended with the approval of the Board.

### Adoption of Policy and Board review

This Policy was adopted by the Board on the date on the front cover of this Policy, and takes effect from that date and replaces any previous policy in this regard.

The Committee will review this Policy periodically and make recommendations to the Board on this Policy. The Committee's periodic review will include an assessment of the Policy's effectiveness and compliance with the requirements of APRA Prudential Standard CPS 510 (Governance). The Company Secretary will communicate any amendments to employees as appropriate.