



Rabobank

RABOBANK AUSTRALIA LIMITED

ABN 50 001 621 129

BOARD REMUNERATION COMMITTEE CHARTER

Effective: 18 November 2019

1 Purpose of Charter

This Charter sets out the authority, responsibilities, membership and operation of the Board Remuneration Committee (**Committee**) of Rabobank Australia Limited (**Company**).

2 Authority

- 2.1 The Committee is appointed and authorised by the Board of Directors of the Company (**Board**) to assist the Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities. The authority of the Committee is sourced from:
- (a) the Company's Constitution;
 - (b) this Charter; and
 - (c) separate Board delegations, resolutions and approvals granted to it from time to time.
- 2.2 The Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities. The Committee may directly engage and retain, at the Company's expense, such legal, accounting, financial, corporate governance or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties (including an independent remuneration consultant as required), so that the engagement, including any advice received, is independent and provided in accordance with applicable regulatory requirements.
- 2.3 The Committee may form and delegate authority to sub-committees, comprised of one or more members. Any such sub-committee will have the full power and authority of the Committee, subject to the terms of its delegated authority.
- 2.4 The Committee may approve named executives to act as Committee delegates to undertake certain limited and specified activities of the Committee, provided that the Committee is satisfied that:
- (a) the delegate does not take actions or make recommendations which affect the delegate's own remuneration; and
 - (b) any activities are made free from undue influence from other executives.
- 2.5 Any such sub-committee or delegate must report to the Committee in relation to material developments arising in the exercise of that authority.

3 Duties and Responsibilities

- 3.1 The purpose of the Committee is to assist the Board in relation to the remuneration policies and practices of the Company, with the objective that these policies and practices:
- (a) are reasonable, fair and in line with current governance, legal and regulatory requirements (including the Banking Executive Accountability Regime) and shareholder expectations;
 - (b) meet the needs of the Company and the global Rabobank Group, and their respective commitment to cooperative values, stakeholders, communities and environments in which they operate, and the expectations and requirements of regulators;
 - (c) responsibly reward individuals for performance;
 - (d) enable the Company to attract, retain and motivate directors and the Rabobank Group employees who provide services to the Company (**employees/ Senior Executives**) who will create value for shareholders within an appropriate risk management framework, by providing remuneration packages that are equitable and externally competitive; and
 - (e) in respect of performance-based remuneration, encourage behaviour that supports the long term financial soundness and risk management framework of the Company, and aligns with prudent risk-taking.
- 3.2 In performing the responsibilities referred to in clause 3.1, the Committee may make recommendations to the Board as it sees fit.

Remuneration Policy

- 3.3 The Committee will, at least, annually and at such other times as appropriate, review and make recommendations to the Board in relation to the Remuneration Policy and remuneration strategy for the Company, in accordance with the Rabobank Group policy, so that both the Remuneration Policy and strategy support the Company's business strategy, are aligned with shareholder interest, and apply to all employees. This will include an assessment of the Remuneration Policy's effectiveness, compliance with any relevant legal, governance and regulatory requirements, and linkages with performance, risk and the Company's risk management framework in accordance with CPS510.
- 3.4 The Committee will only recommend any actual or proposed material deviation from Rabobank's Group-wide Remuneration Policy and Practices after consulting with the Managing Board and Supervisory Board or Rabobank Group.

Performance and Remuneration

- 3.5 The responsibilities of the Committee include, but are not limited to:

Senior executives

- (a) in consultation with the Rabobank Group, reviewing and making annual recommendations to the Board in relation to the contractual and remuneration arrangements of the following employees (including without limitation, performance measures and targets, incentive arrangements, superannuation, termination compensation and any other forms of remuneration), having regard to the circumstances of the Company or any controlled entities (as appropriate) and the Company's risk management framework:
 - (i) Chief Executive Officer (**CEO**);
 - (ii) members of the Company's Executive Committee;

- (iii) senior executives who report directly to the CEO (including executive directors of the Company who are remunerated as executives and who are not entitled to receive directors' fees);
 - (iv) persons whose activities may, if the Committee determines, affect the financial soundness of the Company;
 - (v) other persons who, in the Committee's opinion, have a significant portion of their total remuneration based on performance; and
 - (vi) any person specified from time to time in the Remuneration Policy or as required by other regulators;
- (b) in consultation with the Rabobank Group, reviewing and making annual recommendations to the Board in relation to the remuneration outcomes for the persons described in clause 3.5(a), having regard to the performance of those individuals (including performance against applicable risk management targets) and the circumstances and performance (on a statutory and cash earnings basis) of the Company, including where necessary or appropriate in the view of the Committee, the use of clawback, and/or any decision to cancel or reduce any incentive award;
 - (c) reviewing and monitoring the performance of the CEO and senior executives who report directly to the CEO / identified in clause 3.5(a);
 - (d) reviewing and monitoring succession planning for the CEO and senior executives who report directly to the CEO / identified in clause 3.5(a);

Incentive plans

- (e) reviewing and approving:
 - (i) the design and implementation of incentive plans (including any applicable considerations regarding the Company's performance framework), taking into consideration legislative, regulatory and market developments and the Company's risk management framework;
 - (ii) the amount of any incentive pool, incorporating appropriate risk-adjusted performance measures;
- (f) reviewing and approving or, in the alternative, making recommendations to the Board in relation to the assessment of performance of senior employees identified in clause 3.5(a) as against the terms and conditions of incentive plans, and the amount of any payment in accordance with those terms;
- (g) reviewing and approving exercises of discretion in respect of any incentive award for the CEO and senior executives who report directly to the CEO and/or are identified in clause 3.5(a);

Other

- (h) reviewing and making annual recommendations to the Board (where appropriate) on the remuneration structures of the categories of persons required by applicable regulators to be covered by the Company's Remuneration Policy (to the extent not already covered above);
- (i) approving remuneration arrangements outside the Remuneration Policy for individuals or groups of individuals which are significant because of their sensitivity, precedent or disclosure implications;

- (j) reviewing the principles and framework required for measuring the conduct and behavioural requirements of the Company on a regular basis (including reporting channels), and reporting and making recommendations to the Board on these matters as and when required; and
- (k) reviewing reports received from management in relation to structures and outcomes for consequence management, customer complaint trends and remedial actions, disciplinary processes, and conflicts of interest; and
- (l) including a standing agenda item to review regulatory commitments to ensure the Company's practices are consistent with regulator expectations.

Non-Executive Directors

3.6 The Chairman will, in consultation with the Chair of the Wholesale, Regional and Retail Management Team and the shareholder of the Company:

- (a) review and make recommendations to the Board in relation to remuneration (including superannuation) payable to non-executive directors of the Company who provide services to the Board and its committees; and
- (b) seek independent external advice, as appropriate, on remuneration payable to non-executive directors to mitigate any potential conflict of interest.

Termination Payments

3.7 The Committee will review and make recommendations to the Board in relation to termination payments for senior executives (as defined in the *Corporations Act 2001* (Cth)), including the CEO, executive and non-executive directors and other senior management to ensure they meet legislative requirements.

Inclusion and Belonging

3.8 The Committee will review the Company's policies and practices, and make recommendations to the Board where appropriate, in relation to diversity and remuneration.

Other

3.9 Members will be available to meet with regulators on request.

3.10 The Committee will obtain external advice, either independently (including from any independent remuneration consultant if required) or via management as appropriate, on remuneration, risk and any related matter to supplement Committee members' knowledge and expertise.

Limitations

3.11 The Committee will refer to the Board Risk and Compliance Committee any matters that come to its attention that are in the domain of or relevant to the Board Risk and Compliance Committee.

3.12 The Committee will refer to the Board Audit Committee any matters that come to its attention that are in the domain of or relevant to the Board Audit Committee.

3.13 The Committee performs its principal function based on information provided to it by management. Management is responsible for the preparation, presentation and integrity of information provided to the Committee. Without limiting the Committee's responsibilities, as described in this Charter, neither the Committee as a committee nor any member of it by virtue of being a member, has the duty to actively seek out activities occurring within the Company that are not compliant with the Company's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.

Operational Procedures

- 3.14 A separate detailed checklist of operational matters and agenda items to be considered by the Committee over a full year is used as a means to manage the Committee's responsibilities. This checklist includes review processes and assessment procedures recommended by any relevant regulatory sources. The checklist is maintained and regularly reviewed by the Committee Secretary and reviewed by the Committee.

4 Reporting and Evaluation

- 4.1 Minutes must be kept of all Committee meetings by the Committee Secretary and circulated to the Board. All Committee papers will be made available to Directors who are not members of the Committee.
- 4.2 The Committee, through its Chairman, will report to the Board at the earliest possible Board meeting after each Committee meeting, any matters of significant importance or which should otherwise be brought to the attention of the Board and any recommendations requiring Board approval and/or action including a summary of key issues discussed at the Committee meeting and related decisions.
- 4.3 An evaluation of the Committee's performance as it relates to the requirements of this Charter will be performed annually.
- 4.4 The Committee Chairman will submit an annual report to the Board on the Committee's activities during the year.

5 Composition

- 5.1 The Committee must consist of a minimum of three members (including the Committee Chairman), all of whom must be Non-Executive directors and a majority of whom must be Independent. At least one member must also be a member of the Board Risk and Compliance Committee. As required by APRA the Senior Officer Outside Australia (**SOOA**) of Rabobank Australia Branch must be a member of the Committee, irrespective of whether he or she is otherwise a director of Rabobank Australia Limited.
- 'Independence' for these purposes will be assessed by reference to the Standards adopted by the Board from time to time.
- 5.2 Members of the Committee are appointed by the Board. The Chairman of the Board will make a recommendation to the Board on the appointment or reappointment of each member of the Committee.
- 5.3 Having regard to the operational, financial and strategic risk profile of the Company, it is appropriate that members have a diverse range of backgrounds, skills and experiences. Collectively members must be literate in the areas of remuneration and risk.
- 5.4 Directors must act in a manner which is consistent with the Directors' Conflicts of Interest Policy.

6 Term

- 6.1 Each member will be appointed for an initial term of three years, or shorter if circumstances require. The performance of each member will be reviewed by the Committee Chairman in conjunction with the Chairman of the Board.
- 6.2 Periodic rotation of members' appointments is encouraged. No more than one member should leave the Committee pursuant to rotation in any one year.

7 Chairman

- 7.1 The Committee Chairman will be appointed by the Board and must be an Independent Non-Executive director of the Company.
- 7.2 Should the Committee Chairman not attend a meeting, the meeting must be chaired by a person who is an Independent director.

8 Meetings

- 8.1 Members may attend meetings in person or by electronic means.
- 8.2 The Committee should meet often enough to undertake its role effectively, but not less than twice per year.
- 8.3 In addition, the Committee Chairman may call a meeting at any time and will call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of the Board.
- 8.4 A quorum will be two members.
- 8.5 Directors who are not members of the Committee may attend meetings at the invitation of the Committee Chairman.
- 8.6 The Chief Risk Officer is required to attend meetings where matters specific to risk-adjusted remuneration measures are discussed.
- 8.7 Other persons of management and/or parties external to the Company may be invited to attend all or part of any meeting of the Committee.
- 8.8 Subject to clause 8.9, members must not be present during discussion or participate in any decisions of the Committee in relation to their own remuneration, the specific remuneration policies that are applicable to them or any matters in which they have a personal interest.
- 8.9 Members may be present at meetings and may participate in the development, review and formulation of recommendations to the Board in relation to the remuneration of Non-Executive directors of the Company.
- 8.10 The Committee will appoint an appropriately qualified person to act as the Committee Secretary, in consultation with the Chairman of the Board. In circumstances where the person appointed as Committee Secretary is unable to attend or remain in attendance at a Committee meeting, the Committee will appoint another person as their replacement for that meeting only.

9 Direct Access

- 9.1 The Committee will at all times have free and unfettered access to the Board, the Company's Executive Committee, senior management, and other internal and external parties including, but not limited to, human resources, risk and financial control personnel.
- 9.2 The Committee Chairman will keep the Chief Human Relation Officer and Chief Financial Officer fully informed of relevant dialogue between the Committee and senior management.

10 Review of Charter

- 10.1 The Committee will review its charter biennially to keep it up to date and consistent with the Committee's authority, objectives and responsibilities and report to the Board any changes it considers should be made.
- 10.2 This Charter may be amended by resolution of the Board.
- 10.3 To the extent of any inconsistency between this Charter and the Constitution of the Company (or any rights of the shareholder under the Constitution), the Constitution (or those rights) will prevail.
- 10.4 This Charter supersedes any terms of reference or charter previously in force.

11 List of Applicable Policies and Standards

- 11.1 The Committee will in the course of fulfilling its duties and responsibilities consider and oversee the following key policies and standards for recommendation to the Board:
- (a) Remuneration Policy;
 - (b) Fit and Proper Policy;
 - (c) Local Standard on Deferral of Variable Pay for Non-Identified Staff;
 - (d) Diversity and Inclusion Policy; and
 - (e) Banking Executive Accountability Regime related policies.