



Citigroup Pty Limited (CPL) APS 330 Remuneration Disclosure - 31 December 2019

Contents

Introduction	1
Qualitative disclosures	2
1. Remuneration governance	2
2. Remuneration policy and framework	3
3. Remuneration and risk management	4
4. Linking performance and remuneration	6
Quantitative disclosures	8

Introduction

The following remuneration disclosures have been prepared in line with the Australian Prudential Regulation Authority's (APRA) remuneration requirements under prudential standard APS 330: Public Disclosure (APS 330) and Citigroup Pty Limited's (CPL) Board-approved Remuneration Policy.

The prudential disclosures require that all Authorised Deposit-taking Institutions (ADIs) meet the minimum requirements for public disclosure of qualitative and quantitative information of their remuneration practices.

Individuals within this disclosure have been identified consistent with the definitions provided in paragraph 21 of APS 330 and paragraph 57 (a) of APRA's prudential standard CPS 510: Governance (CPS 510).

The qualitative remuneration disclosures cover all individuals included in CPL's Remuneration Policy, as outlined in prudential standard CPS 510.

The quantitative remuneration disclosures relate to senior managers and material risk takers of CPL effective as at 31 December 2019.

Senior managers for the purpose of this disclosure are the responsible persons of CPL, other than the non-executive directors and auditors, as defined in paragraph 19 of APRA's prudential standard CPS 520: Fit and Proper. The following employees were included:

- Chief Executive Officer (CEO);
- senior employees who report to the CEO and have direct responsibility for CPL's business (includes Accountable Persons (APs) as per the Banking Executive Accountability Regime (BEAR) and Responsible Persons as per the CPL Remuneration Policy); and
- senior employees responsible for certain corporate functions within Citi Australia, including Finance, Independent Compliance Risk Management (ICRM), Legal, Operations and Technology, Risk and Treasury.

Material risk takers of CPL refer to individuals for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of CPL. All of CPL's material risk takers are included in the senior manager category of this disclosure. There were 22 individuals identified as senior managers and material risk takers for the 2019 disclosure (18 individuals in 2018).

Qualitative disclosures

1. Remuneration governance

1.1 Global Remuneration Committee

Citigroup Pty Limited (CPL) is a foreign subsidiary bank of Citigroup Inc. and is subject to the compensation rules of the firm's US lead regulator.

The Personnel and Compensation Committee (P&C Committee) of the Board of Directors of Citigroup Inc. (Citi), oversees Citi's global remuneration policies, practices and material incentive compensation programs. The P&C Committee, with the assistance of the global Chief Risk Officer, also review the design and structure of compensation programs relevant to all employees in the context of risk management.

The P&C Committee's terms of reference are documented in the P&C Committee Charter, which establishes the responsibilities, scope, mandate and principles governing the firm's compensation policy globally. The P&C Charter is available on Citi's website at: [Citigroup>Investor Relations>Corporate Governance>Citigroup Board of Directors' Committee Charters>P&C Committee Charter](#)

1.2 CPL Remuneration Committee

The CPL Board of Directors (Board) is responsible for remuneration governance at a local level. It has established the CPL Remuneration Committee (Committee) to comply with the prudential requirements of APRA, and to consider, endorse, review and recommend to the Board the remuneration for senior executives and other employees, who either individually or collectively may materially impact CPL's performance and affect its financial soundness; and who have the potential negatively to impact upon the level of risk considered acceptable by CPL. CPL's governance of remuneration is also influenced and regulated by the global P&C Committee.

The Committee's key responsibilities are described in its Charter which is reviewed annually by the Board.

Although the Committee considers, endorses and makes recommendations to the Board, the Board retains discretion within Citi's remuneration framework, to determine any downward adjustments to performance-based components of remuneration, to reflect the outcomes of business activities, the risks relating to those activities and the time necessary for the outcomes of the business activities to be reliably measured. This includes adjusting variable components of remuneration downwards (to zero if appropriate) to protect the financial soundness of CPL or to respond to significant, unexpected or unintended consequences that were unforeseen by the Board. The Committee seeks to ensure that the Remuneration Policy continues adequately to support CPL's overall risk management framework.

The Committee may seek advice from independent advisers or experts, including remuneration consultants where necessary, in the performance of its duties and responsibilities. No remuneration recommendations were obtained from external advisers or consultants during 2019.

1.3 Members of the CPL Remuneration Committee

As at 31 December 2019, the Committee consists of the following independent non-executive directors: Brian Bissaker, Belinda Gibson, Samantha Mostyn, and Ian Watt (Chairman).

The Committee met nine times during the 2019 financial year.

Committee members receive a fixed non-executive directors' fee covering their separate roles as Directors of the Board including their membership of Board Committees. There are no additional fees paid for serving on Board Committees. The total fees paid to Board members, including for their membership to the Remuneration Committee were AUD540,000 during 2019 (AUD507,699 in 2018).

1.4 Citi's remuneration strategy

CPL adopts Citi's Compensation Philosophy and global remuneration framework. The objectives of the global framework are integrated into CPL's Remuneration Policy and performance management practices, and are aligned with Citi's risk management framework. The objectives of the remuneration framework are designed to:

- encourage prudent risk-taking while attracting world-class talent necessary to Citi's success;
- align compensation programs, structures and decisions with shareholder and other stakeholder interests;
- reinforce a business culture based on the highest ethical standards;
- manage risks to Citi by encouraging prudent decision-making;
- reflect regulatory guidance in compensation programmes; and
- attract and retain the best talent to lead Citi to success.

A full overview of Citi's Compensation Philosophy is available on Citi's website at: [Citigroup>Investor Relations>Corporate Governance>Compensation Philosophy](#)

2. CPL Remuneration policy and framework

CPL's Remuneration Policy provides a governance framework for the structure and operation of remuneration.

The objective of CPL's Remuneration Policy is to ensure that the remuneration framework and practices are prudent, balanced and aligned to responsible finance objectives, by encouraging behaviour and conduct that supports CPL's long-term financial soundness within an appropriate risk management framework. CPL uses Citi's global remuneration framework to satisfy APRA's prudential standard CPS 510 requirements and the BEAR remuneration deferral obligations.

CPL's Remuneration Policy is reviewed annually by the Committee and the Board, with the last review completed in May 2019. From 1 July 2019, changes were introduced to the remuneration structure for Accountable Persons subject to the BEAR deferred remuneration requirements. CPL has no foreign subsidiaries or branches. CPL's Remuneration Policy is only applicable in Australia.

2.1 Remuneration framework

The key elements of CPL's remuneration framework consist of:

Key element	Purpose and description
Fixed Annual Remuneration (FAR)	<ul style="list-style-type: none"> • FAR is set to appropriately attract, retain and motivate employees by providing market competitive fixed pay to reflect role size and complexity, breadth and responsibilities, individual expertise and experience. • FAR consists of base salary, superannuation, and salary sacrificed benefits. • FAR is reviewed annually and any approved increases consider external market movements, macro-economic conditions, and company performance.
Variable Remuneration	<ul style="list-style-type: none"> • Variable remuneration is designed to reward and drive performance based on annual financial and non-financial goals, in both the short-term and long-term. • Variable remuneration is discretionary, and is driven by company and business performance. Citi annually determines the size of the variable remuneration pool available for the Discretionary Incentive and Retention Award Plan (DIRAP). • CPL's senior managers participate in the (DIRAP) with awards delivered in the form of an annual cash (bonus) payment, and deferred shares and/or deferred cash awards. • Variable remuneration for Accountable Persons' is subject to a mandatory deferral period, with a minimum proportion of 40% of an incentive deferred for at least four years. • Other senior employees' awards are in the form of deferred shares and/or deferred cash vesting over a four year period. • Citi believes the deferral policy appropriately aligns employee interests with those of shareholders, and is effective in capturing the duration of most risks over a four year time horizon. The hedging of deferred awards is not permitted.

Key element	Purpose and description
	<ul style="list-style-type: none"> Individual performance assessments and the achievement of goals directly affect potential variable remuneration outcomes.

3. Remuneration and risk management

CPL's remuneration framework aims to:

- enhance shareholder value through the practice of responsible finance;
- facilitate competitiveness by attracting and retaining the best talent;
- promote meritocracy by recognising employees' contributions; and
- manage risk through sound variable remuneration practices.

3.1 Determination of global variable remuneration pools

CPL's senior managers and material risk takers participate in the Discretionary Incentive and Retention Award Plan (DIRAP) – the annual variable remuneration pool. Citi determines and approves the total variable remuneration pool available to CPL based on company performance, a detailed review of business group and product performance, and achievement of financial and non-financial goals. Citi has the discretion to adjust the bonus pools up or down to reflect business' contribution to profits, funding and capital requirements, compliance and risk management, external market factors.

3.2 Individual performance and risk assessment in award determination

A key feature of Citi's framework for delivering risk-balanced variable remuneration is formally assessing employee overall performance against individual goals.

Citi's performance management framework provides a structured and formal approach to assessing and evaluating employees' performance through the measurement and assessment of goals, business results, including adherence to Citi's risk behaviours and compliance requirements.

The performance management process is based on a two-rating assessment system – one rating for goals achievement, and one rating for behavioural performance (anchored to Citi's Leadership Standards). The two-rating system reinforces the equal importance of delivering results and demonstrating appropriate behaviour and conduct. The outcomes of the performance assessment inform variable remuneration awards.

Certain senior managers are subject to an additional global independent risk review process under which control functions (such as ICRM, Internal Audit, Legal, Risk and HR) provide direct feedback and a rating on an individual's risk behaviours as part of the annual performance assessment process. The assessment of risk management behaviours is taken into account in determining individual incentive awards. A positive rating on risk behaviours is an expected element of job performance for all senior managers. A negative risk rating on risk behaviours results in a reduction or elimination of variable remuneration.

CPL believes the process of reviewing risk behaviour has improved awareness of the importance of risk management behaviours, and has resulted in the strengthening of Citi's risk culture.

A common goal to manage compliance risk (emphasising individual responsibilities with respect to integrity, ethical conduct, driving a strong compliance risk and control culture) is included in all employees' performance assessments. This goal is a key part of responsibly providing financial services.

The table below shows the key risks and measures for the 2019 year, which are updated periodically to ensure compliance with legislative standards and alignment with CPL's risk appetite.

Material risks	Key measures	Review of the measures
Operational risk	<ul style="list-style-type: none"> • Audit findings • Fraud losses • Business disruption and system failure • Business continuity • IT security • Business practices • Escalation responses • Control breaches and near misses 	<ul style="list-style-type: none"> • Operational risk measures are reviewed regularly and reported to management. • Issues are escalated within Citi's regional and global Operational Risk Management function and to management for action.
Financial risk, including credit risk, market risk and liquidity risk	<ul style="list-style-type: none"> • Compliance with Citi's specified trigger limits for key credit, liquidity, funding, rate of return, earnings volatility, target debt rating, capital and market risk limits. 	<ul style="list-style-type: none"> • Citi manages credit, liquidity and market risks continuously, including comparison of historical performance indicators and stress testing. • Regular review of authority levels, delegations and approval limits. • Regular governance review of key risk functions.
Compliance risk management	<ul style="list-style-type: none"> • Audit findings • Completion of mandatory compliance training • Review of regulatory compliance breaches and near misses • Compliance with local and cross-border laws, regulations, rules and policies. 	<ul style="list-style-type: none"> • Compliance measures are reviewed regularly and reported to internal management. • Issues and breaches, regardless of severity, are escalated immediately to management, and within Citi's regional and global compliance function, for action and remediation. • Oversight activities across the bank's lines of defence.

3.3 Risk and Financial Control employees

CPL ensures that risk and financial control employees are remunerated independently of the businesses they oversee, as follows:

- Employees engaged in control functions have direct reporting lines within their own function that are separate from the business, and that are responsible for the reward of those employees, in terms of variable remuneration, salary increases and promotion.
- The control functions are each allocated a variable remuneration pool that is separate from the revenue generating businesses, and decisions about allocations from those pools are made within the relevant control functions themselves.
- Both fixed and variable remuneration for the control functions are regularly reviewed in line with external market data to gauge market positioning and competitiveness. The level of variable remuneration for control function employees is determined by reference to performance against objectives that are set and assessed within their respective functions.

4. Linking performance and remuneration

Citi's remuneration framework is intended to complement effective risk management controls and reward long-term profitability by reducing incentives that may create imprudent risks for CPL and its businesses.

Risks may be balanced through "ex-ante" or "ex-post" adjustments to variable remuneration as follows:

- ex-ante adjustments are made before the grant of variable remuneration (such as using risk-adjusted metrics to evaluate performance); and
- ex-post adjustments are made after the grant (for example: deferral periods, performance-based vesting, and clawbacks).

4.1 Deferral and clawback

All CPL's employees who are eligible for an award under the Discretionary Incentive and Retention Award Plan (DIRAP) are eligible for an initial component awarded in cash and a deferred component awarded in either deferred shares and/or deferred cash, if their variable remuneration exceeds a given threshold. Deferred awards vest over four years, with 25% vesting each year.

The table below sets out the variable remuneration deferral structure.

Designated Senior Managers in higher risk categories are subject to greater deferral arrangements.

Total Variable Remuneration (USD or local currency equivalent)	Immediate cash ¹	Deferred shares ¹	Deferred cash ¹
50,000 - 99,999	90%	-	10%
100,000 - 499,999	75%	12.5%	12.5%
500,000 - 999,999	70%	15%	15%
1,000,000 - 1,999,999	65%	17.5%	17.5%
2,000,000 - 3,999,999	60%	20%	20%
4,000,000 - 4,999,999	50%	25%	25%
5,000,000+	40%	30%	30%

Note:

¹ For the 2019 performance year, three Senior Managers were awarded a mix of 60% immediate cash, 20% deferred shares, and 20% deferred cash.

Senior managers who are designated as Accountable Persons by the BEAR legislation are subject to a minimum proportion of 40% of variable remuneration awarded in either deferred shares and/or deferred cash, and a mandatory deferral period of four years. The deferred remuneration of 40% must be greater than AUD50,000 for the relevant performance year.

All deferred variable remuneration awarded to senior managers is subject to performance-based vesting (PBV) conditions (formulaic for deferred shares, and discretionary, event based for deferred cash) and 'clawback provisions'. The table below shows a summary of the PBV conditions.

Performance-based vesting (PBV)	Deferred shares	Deferred cash
Provision	<ul style="list-style-type: none"> • Formulaic PBV 	<ul style="list-style-type: none"> • Discretionary, event based
Formula / condition	<ul style="list-style-type: none"> • The emergence of pre-tax losses in the relevant business of the individual. 	<ul style="list-style-type: none"> • In the event of a "Material Adverse Outcome" (MAO) with respect to a business activity and the individual is deemed to have had "significant responsibility" for the MAO.
Maximum amount at-risk	<ul style="list-style-type: none"> • A portion of the deferred shares tranche scheduled to vest is forfeited; the reduction is based on the extent of the losses and prior year's net profits. 	<ul style="list-style-type: none"> • Entire unvested cash award (plus accrued interest) is subject to discretionary reduction or forfeiture, based on the relevant facts and circumstances.

In determining whether to apply clawback provisions or adjustments, Citi will consider the following circumstances:

Adjustments	Deferred shares	Deferred cash
Clawback	<ul style="list-style-type: none"> • Where the employee received the award based on materially inaccurate audited publicly reported financial statements; • Where the employee knowingly engaged in providing materially inaccurate information relating to audited publicly reported financial statements; or • Where the employee materially violated any risk limits established or revised by senior management and/or risk management; or • Where the employee engaged in gross misconduct. • Where an employee is an Accountable Person and failed to comply with their accountability obligations, or has engaged in behaviour or misconduct that breaches their accountability obligations, or has been dismissed or suspended by APRA for failure to comply with their accountability obligations. 	<ul style="list-style-type: none"> • Where the employee engaged in behaviour constituting misconduct or exercised materially imprudent judgement that caused harm to any of Citi's business operations, or that resulted or could result in regulatory sanctions; or • Where the employee failed to supervise or monitor individuals engaging in, or failed properly to escalate behaviour constituting, misconduct (whether or not gross misconduct) in accordance with Citi's policies regarding the reporting of misconduct, or the participant exercised materially imprudent judgement that caused harm to any of Citi's business operations; or • Where the employee failed to supervise or monitor individuals engaging in, or failed properly to escalate, behaviour that resulted or could result in regulatory sanctions. • Where an employee is an Accountable Person and failed to comply with their accountability obligations, or has engaged in behaviour or misconduct that breaches their accountability obligations, or has been dismissed or suspended by APRA for failure to comply with their accountability obligations.

Quantitative disclosures

The following tables have been prepared in accordance with the quantitative requirements outlined in APS 330.

Table a) provides a breakdown of the values of fixed and variable remuneration for senior managers and material risk takers for the year ended 31 December 2019.

Table b) provides a summary of deferred cash and equity based remuneration, including total outstanding awards, and those that vested during the 2019 financial year, including any reductions due to ex-post explicit and implicit adjustments.

a) Total value of remuneration awards

	2019	2018
	AUD	AUD
Fixed remuneration		
Cash-based (non-deferred) ¹	7,713,863	7,299,719
Shares and share linked instruments	-	-
Other (non-deferred) ²	872,402	899,051
Variable remuneration		
Cash-based (non-deferred) ³	4,089,457	5,374,683
Shares and share linked instruments (deferred)		
• Shares ⁴	1,270,448	1,299,261
• Cash ⁴	1,072,430	1,315,420

Notes:

¹ Represents actual fixed remuneration received, including employer superannuation contributions and salary sacrificed benefits. Year-on-year movements in remuneration were impacted by changes in role incumbents, and pro-rated remuneration for part-year.

² Includes annual leave and long service leave accruals, termination payments and additional salary payments in relation to relocation costs.

³ This value represents the cash award earned under the DIRAP for 21 of 22 senior managers and material risk takers during the 2019 financial year.

⁴ Variable remuneration (shares and cash) awarded in 2019. These awards are subject to a deferred vesting period, performance-based vesting conditions and clawback.

b) Deferred remuneration

	2019	2018
	AUD	AUD
Outstanding remuneration		
Cash-based	3,359,264	2,112,193
Shares and share linked instruments	4,933,533	3,079,667
Other – Cash in Lieu of Equity ²	-	161,419
Total outstanding deferred remuneration which vested during the year		
• Deferred Cash ³	810,348	673,603
• Shares	1,682,377	1,892,845
Total reductions during the year due to ex-post explicit adjustments	-	-
Total reductions during the year due to ex-post implicit adjustments	-	-

Notes:

¹ All deferred remuneration is exposed to ex-post explicit and implicit adjustments. This includes the sum of all outstanding deferred cash equity awards as at 31 December 2019.

² Equity buy-out from previous employer.

³ Includes interest accrued in relation to deferred cash awards vested during 2019; and dividend equivalent and fractional share payments.