

# Remuneration report

2015–16

## Purpose of remuneration report

The purpose of this remuneration report is to set out the principles and the remuneration strategy DHA applies to remunerate key management personnel (KMP) and provide detailed information about the remuneration provided to KMP in 2015-16.

The report provides information about DHA's remuneration governance arrangements for key management personnel. It complements the information previously published in DHA's Annual Report 2015-16 and responds to a request made by the Minister for Finance on 16 February 2017 for additional transparency in respect of the 2015-16 financial year and beyond.

This report also aims to demonstrate how DHA's remuneration policy for key management personnel is aligned to its purposes and strategic objectives, as set out in the Statement of Corporate Intent 2015-16 and in the Corporate Plan 2015-16 to 2018-19 approved by Shareholder Ministers.

## Key Management Personnel (KMP)

This report covers DHA's KMP who had authority and responsibility for planning, directing and controlling the activities of the organisation directly and indirectly throughout the year. This includes non-Executive Directors of the company and key Senior Executives who report directly to the Managing Director, as outlined in the table below for the financial year ended 30 June 2016.

### Current Directors

| Name                           | Title                 | Classification | 2015-16 status | KMP status                      |
|--------------------------------|-----------------------|----------------|----------------|---------------------------------|
| The Hon. JAL (Sandy) Macdonald | Director and Chairman | Board Member   | Full year      | Current                         |
| CDRE Vicki McConachie CSC RANR | Director              | Board Member   | Full year      | Current                         |
| Ms Janice Williams             | Director              | Board Member   | Full year      | Current                         |
| Mr Martin Brady AO             | Director              | Board Member   | Full year      | Current                         |
| The Hon. Alan Ferguson         | Director              | Board Member   | Full year      | Current                         |
| Mr Robert Fisher AM            | Director              | Board Member   | New Starter    | Current from<br>4 February 2016 |

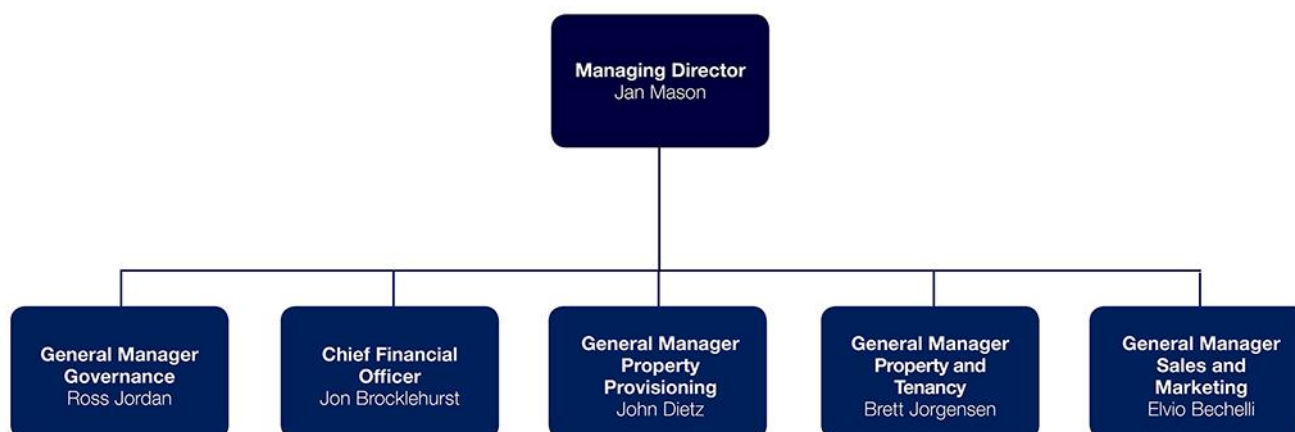
### Former Directors

| Name               | Title    | Classification | 2015-16 status | KMP status             |
|--------------------|----------|----------------|----------------|------------------------|
| Ms Margaret Walker | Director | Board Member   | Part year      | Until 15 July 2015     |
| Ms Carol Holley    | Director | Board Member   | Part year      | Until 23 November 2015 |

## Current Key Senior Executives

| Name                | Title  | Classification <sup>1</sup> | 2015-16 status | KMP status                   |
|---------------------|--|-----------------------------|----------------|------------------------------|
| Ms Jan Mason        | Managing Director                            | MD01                        | New Starter    | Current from 2 November 2015 |
| Mr Jon Brocklehurst | Chief Financial Officer                      | SESB2                       | Full year      | Current                      |
| Mr Brett Jorgensen  | General Manager, Property & Tenancy Services | SESB2                       | Full year      | Current                      |
| Mr Ross Jordan      | General Manager, Governance                  | SESB1                       | Full year      | Current                      |
| Mr John Dietz       | General Manager, Property Provisioning Group | SESB2                       | Full year      | Current                      |
| Mr Elvio Bechelli   | General Manager, Sales and Marketing         | SESB2                       | Full year      | Current                      |

## Current Executive Structure<sup>2</sup>



## Former Senior Executives

| Name                     | Title                   | Classification | 2015-16 status | KMP status            |
|--------------------------|-------------------------|----------------|----------------|-----------------------|
| Ms Madeline Dermatossian | Chief Operating Officer | SESB2          | Full year      | Until 21 July 2016    |
| Mr Peter Howman          | Managing Director       | MD01           | Part year      | Until 30 October 2015 |

<sup>1</sup> The Managing Director is employed under Part VI of the *Defence Housing Australia Act 1987* and other Senior Executives are employed under the *Public Service Act 1999*.

<sup>2</sup> As at 16 February 2017.

## Non-Executive Director fees

All Non-Executive Directors of DHA are appointed by the Commonwealth of Australia through the Shareholder Ministers – the Minister for Defence and the Minister for Finance.

Fees for Non-Executive Directors are set through the determinations of the *Commonwealth Remuneration Tribunal* (the Tribunal), an independent statutory body overseeing the remuneration of key Commonwealth offices. DHA is regulated to comply with the Tribunal's determinations and plays no role in the consideration or determination of Non-Executive Director fees.

The Tribunal sets annual Chair and Board fees (exclusive of statutory superannuation contributions) which are inclusive of all activities undertaken by Non-Executive Directors on behalf of DHA. Fee packaging may be made available to Non-Executive Directors within the fees specified. Statutory superannuation is paid in addition to the fees set by the Tribunal.

The following table sets out the annual Non-Executive Director fees (excluding superannuation) as determined by the Tribunal for FY2015 and FY2016.

| Board Position | 1 January 2016 | 11 May 2015 |
|----------------|----------------|-------------|
| Chair          | \$112,290      | \$110,080   |
| Board Member   | \$56,160       | \$55,040    |

Additional fees applicable to members of the Board Audit Committee in accordance with the relevant Remuneration Tribunal determinations are set out below:

| Audit Committee Position | 1 January 2016 | 11 May 2015 |
|--------------------------|----------------|-------------|
| Chair of Committee       | \$15,370       | \$15,060    |
| Committee Member         | \$7,690        | \$7,527     |

The Remuneration Tribunal determination does not currently provide for any additional fees to be payable to members of the Board Property Committee.

## References

*[Remuneration Tribunal Determination 2016/18, effective 8 December 2016](#)*

*[Remuneration Tribunal Determination 2015/20, effective 1 January 2016](#)*

*[Remuneration Tribunal Determination 2015/08, effective 11 May 2015](#)*

## Remuneration governance at DHA

DHA Director remuneration is set in line with determinations issued by the Remuneration Tribunal. The Remuneration Tribunal is an independent statutory authority established under the [Remuneration Tribunal Act 1973](#) (the Act).

The Tribunal's role is to determine, report on or provide advice about remuneration, including allowances and entitlements that are within its jurisdiction for:

- Federal Parliamentarians, including Ministers and Parliamentary office holders
- judicial and non-judicial offices of federal courts and tribunals
- Secretaries of Departments
- full-time and part-time holders of various public offices
- Principal Executive Offices.

The Managing Director of DHA is classified as a principal executive officer and remuneration is set by the DHA Board following consideration of the recommendation of its Nomination and Remuneration Committee. The Managing Director's remuneration is determined by the DHA Board within the parameters of the Remuneration Tribunal's [Determination 2016/15: Principal Executive Office - Classification Structure and Terms and Conditions](#).

DHA Senior Executives are employed in accordance with the [Public Service Act 1999](#) and their remuneration is set by the Managing Director. Senior executive remuneration is reviewed annually. In setting Senior Executive remuneration the Managing Director considers:

- the responsibilities of the role and performance of the current occupant
- benchmarking the Senior Executive's current package against relevant industry data and [Australian Public Service Commission \(APSC\) data](#)
- [DHA Enterprise Agreement](#) pay rate increases as appropriate and relevant.

# The link between organisation strategy and remuneration strategy

DHA's remuneration strategy supports the strategic purposes of the organisation, enables performance-based reward and recognition of capable employees whilst remaining aligned to market practice and in the interests of its shareholders and the Australian public.

Senior Executive remuneration is designed to attract, motivate and retain the calibre of executives required to achieve DHA's purposes now and into the future. To enable this, DHA's Senior Executive remuneration strategy establishes an effective link between pay and performance achieved through:

- annually reviewing the Senior Executive remuneration framework, including performance measures to ensure alignment with DHA's evolving business strategy and corporate objectives
- consideration of relevant market remuneration practices when determining Senior Executive remuneration
- balancing Senior Executive remuneration against corporate and individual performance outcomes.

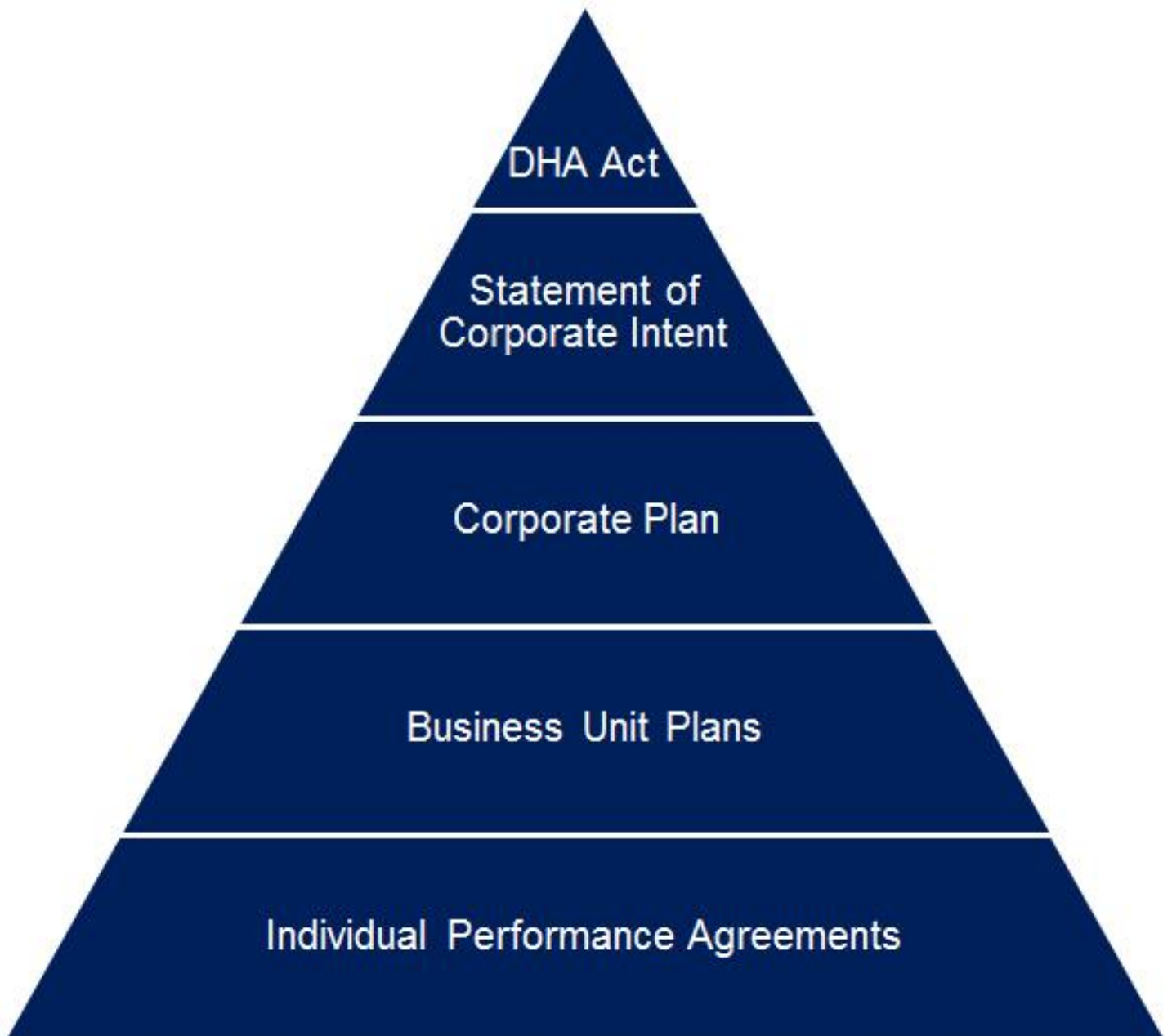
High level goals for 2015-16 as outlined in the Statement of Corporate Intent 2015-16 were to:

- provide housing and related services that meet stakeholder needs
- provide a housing portfolio that will meet stakeholder needs now and through to 2025-26
- develop our people, business model and system delivery
- meet agreed shareholder financial requirements, operate commercially, efficiently and sustainably.

Elements of the framework below the Statement of Corporate Intent, include more detailed performance targets established through DHA's Corporate Plan and internal business unit plans.

DHA aims for alignment between the *Defence Housing Australia Act 1987* and other relevant legislation, Government policy settings, its published Statement of Corporate Intent, Corporate Plan approved by Ministers, internal business unit plans, key performance indicators and individual performance agreements.

## Alignment between authority, strategy and individual performance





## Senior Executive remuneration

DHA's remuneration structure is designed to responsibly, fairly and competitively reward Senior Executives while complying with all of our regulatory obligations.

To accomplish these goals, each Senior Executive's remuneration package consists of short term benefits (salary, superannuation and accrued annual leave) and 'potential' remuneration delivered through a performance bonus program. DHA does not offer long-term incentive awards to its Senior Executives.

### Remuneration benchmarking

DHA aims to position target total remuneration competitively against comparable organisations. Senior Executive roles are benchmarked with comparable roles in the market. External market benchmarks are determined by researching disclosed data from relevant Australian listed companies, the Australian Public Service Commission (APSC) and other *Government Business Enterprises*, supplemented by survey data where necessary. Target total remuneration for each Senior Executive role is informed by the benchmark data and internal relativities.

To ensure consideration of individual and company performance and market conditions, remuneration levels of each Senior Executive are reviewed annually by the Managing Director.

### Remuneration mix

A portion of Senior Executive remuneration is 'potential' to ensure alignment with DHA's strategic objectives. Senior Executives are only rewarded for delivering performance aligned to DHA's strategy and individual Key Performance Indicators (KPIs). This is determined and reviewed at least bi-annually by the Managing Director and aligns DHA's workforce resources with business strategies and corporate goals.

### Total fixed remuneration (TFR)

Base salary, superannuation contributions and non-cash benefits comprise a Senior Executive's TFR.

Factors taken into account when setting the appropriate TFR for any Senior Executive include:

- market data for comparable roles
- complexity of the role
- internal relativities
- an individual's skills, qualifications and experience
- individual performance assessments.

Once hired, Senior Executives have no guarantee of TFR increases within their contracts. The TFR of all Senior Executives is reviewed annually, to ensure alignment with market practice.



## **Performance bonus program**

DHA's performance bonus program provides all Senior Executives with the opportunity to receive 'potential' remuneration based first on DHA's performance and then on individual performance during the performance year.

The program is designed to:

- reward Senior Executives who contribute to DHA's success during the performance year
- ensure a portion of total remuneration is linked to the achievement of corporate performance.

DHA reviews its incentive program annually to ensure it remains aligned to market practice and continues to incentivise Senior Executives in alignment with the evolution of DHA's business strategy. The current maximum potential performance bonus amount is 15 per cent of Senior Executives' base salary.

## **Role of the Managing Director in determining remuneration**

Each year, the Managing Director determines the performance measures and objectives of the performance bonus program, participant eligibility, performance outcomes and any changes or adjustments needed to continually improve the plan.

The Managing Director retains discretion under the program rules to adjust performance bonus payments in light of unforeseen circumstances or unintended outcomes.

# Summary of Executive employment contracts, termination payments and other long-term benefits

## Employment agreements and termination arrangements

All current Senior Executives are employed by DHA under the *Public Service Act 1999*, with the exception of the Managing Director who is employed under Part VI of the DHA Act for a five year term. Remuneration and other terms of employment for Senior Executives were formalised in contracts, which also included termination arrangements.

For Senior Executives, termination payments are guided by APSC policy and any contractual entitlements in place for employees ceasing employment with DHA.

For the Managing Director, employment termination (terms and payment) is as outlined in the Remuneration Tribunal Determination: *Principal Executive Office - Classification Structure and Terms and Conditions*.

## Other long-term benefits

The remaining long-term benefit is the accrual of statutory long service leave for employees.

## Post-employment benefits

Superannuation contributions are included in individuals' TFR. There are no additional benefits, entitlements or arrangements in place for any Senior Executive.

# Transactions with Related Parties

No transactions (subject to some exceptions for immaterial or routine standard term transactions) were undertaken involving Directors or Senior Executives, their close family members or entities they control or have significant influence over.

# Equity movements

In FY2016, there were no holdings in rights, options and other equity instruments by Directors or Senior Executives, their close family members or entities they control or over which they have a significant influence.

# KMP disclosures in detail

## Directors

Remuneration for Non-Executive Directors for FY2015 and FY2016 is shown in the table below.

| Senior Executives                           | Reporting Year | Board Fees<br>\$ | Other Fees<br>and Benefits <sup>1</sup><br>\$ | Superannuation<br>\$ | Total<br>Remuneration<br>\$ |
|---|----------------|------------------|---|----------------------|-----------------------------|
| The Hon JAL (Sandy) Macdonald               | 2015           | 92,214           | 11,355  | 9,226                | 112,796                     |
|   | <b>2016</b>    | <b>115,042</b>   | <b>554</b>                                    | <b>10,929</b>        | <b>126,525</b>              |
| Ms Janice Williams                          | 2015           | 56,974           | 5,194   | 5,906                | 68,075                      |
|   | <b>2016</b>    | <b>57,528</b>    | <b>7,872</b>                                  | <b>6,213</b>         | <b>71,613</b>               |
| Mr Martin Brady AO                          | 2015           | 54,442           | 7,190   | 5,803                | 67,435                      |
|   | <b>2016</b>    | <b>57,528</b>    | <b>13,229</b>                                 | <b>6,658</b>         | <b>77,415</b>               |
| The Hon Alan Ferguson                       | 2015           | 21,102           | 0   | 3,260                | 24,362                      |
|   | <b>2016</b>    | <b>57,528</b>    | <b>0</b>                                      | <b>8,802</b>         | <b>66,331</b>               |
| Mr Robert Fisher AM                         | 2015           | 0                | 0   | 0                    | 0                           |
|   | <b>2016</b>    | <b>22,604</b>    | <b>0</b>                                      | <b>2,147</b>         | <b>24,751</b>               |
| CDRE Vicki McConachie CSC RANR <sup>2</sup> | 2015           | 0                | 0   | 0                    | 0                           |
|   | <b>2016</b>    | <b>0</b>         | <b>0</b>                                      | <b>0</b>             | <b>0</b>                    |
| Ms Margaret Walker                          | 2015           | 56,974           | 15,589  | 6,894                | 79,457                      |
|   | <b>2016</b>    | <b>6,330</b>     | <b>1,732</b>                                  | <b>766</b>           | <b>8,829</b>                |
| Ms Carol Holley                             | 2015           | 56,974           | 15,589  | 6,894                | 79,457                      |
|   | <b>2016</b>    | <b>23,634</b>    | <b>11,663</b>                                 | <b>3,353</b>         | <b>38,650</b>               |

### NOTES:

1. *Other Cash benefits* includes allowances for sitting on additional board committees at DHA e.g Board Audit committee and DHA IML. It also includes Motor Vehicle Allowance.
2. Section 7(11) of the *Remuneration Tribunal Act 1973* renders Commonwealth employees and employees of public statutory corporations not eligible for any remuneration in respect of performing the duties of public office on a part-time basis.

## Key Senior Executives

Remuneration for Key Senior Executives for FY2015 and FY2016 is shown in the table below.<sup>1</sup>

| Key Senior Executives          | Reporting Year | Salary <sup>2</sup><br>\$ | Performance Bonus<br>\$ | Accrued Annual Leave<br>\$ | Superannuation<br>\$ | Termination Benefits<br>\$ | Total Remuneration<br>\$ |
|--------------------------------|----------------|---------------------------|-------------------------|----------------------------|----------------------|----------------------------|--------------------------|
| Ms J Mason <sup>3</sup>        | 2015           | 0                         | 0                       | 0                          | 0                    | 0                          | 0                        |
|                                | <b>2016</b>    | <b>248,329</b>            | <b>0</b>                | <b>16,853</b>              | <b>32,624</b>        | <b>0</b>                   | <b>297,806</b>           |
| Mr E Bechelli                  | 2015           | 207,314                   | 16,665                  | 17,276                     | 31,264               | 0                          | 272,519                  |
|                                | <b>2016</b>    | <b>243,594</b>            | <b>33,797</b>           | <b>17,276</b>              | <b>36,032</b>        | <b>0</b>                   | <b>330,699</b>           |
| Mr J Brocklehurst              | 2015           | 294,777                   | 43,057                  | 22,459                     | 54,480               | 0                          | 414,773                  |
|                                | <b>2016</b>    | <b>306,006</b>            | <b>43,936</b>           | <b>22,459</b>              | <b>62,355</b>        | <b>0</b>                   | <b>434,756</b>           |
| Mr J Dietz                     | 2015           | 227,182                   | 21,968                  | 17,276                     | 34,698               | 0                          | 301,123                  |
|                                | <b>2016</b>    | <b>235,388</b>            | <b>32,107</b>           | <b>17,276</b>              | <b>36,032</b>        | <b>0</b>                   | <b>320,803</b>           |
| Mr B Jorgensen                 | 2015           | 226,750                   | 32,107                  | 17,276                     | 40,067               | 0                          | 316,199                  |
|                                | <b>2016</b>    | <b>239,563</b>            | <b>33,797</b>           | <b>17,276</b>              | <b>47,965</b>        | <b>0</b>                   | <b>338,601</b>           |
| Mr R Jordan                    | 2015           | 171,750                   | 24,273                  | 13,061                     | 31,682               | 0                          | 240,766                  |
|                                | <b>2016</b>    | <b>206,853</b>            | <b>25,550</b>           | <b>15,552</b>              | <b>38,311</b>        | <b>0</b>                   | <b>286,266</b>           |
| Ms M Dermatossian <sup>4</sup> | 2015           | 299,042                   | 41,566                  | 23,003                     | 46,200               | 0                          | 409,810                  |
|                                | <b>2016</b>    | <b>324,345</b>            | <b>45,000</b>           | <b>23,003</b>              | <b>47,977</b>        | <b>0</b>                   | <b>440,325</b>           |
| Mr P Howman <sup>5</sup>       | 2015           | 389,411                   | 66,021                  | 29,955                     | 49,401               | 0                          | 534,787                  |
|                                | <b>2016</b>    | <b>145,280</b>            | <b>59,419</b>           | <b>9,885</b>               | <b>17,128</b>        | <b>290,064</b>             | <b>521,776</b>           |

### NOTES:

1. In 2015-16 there were 27 fortnightly pay periods rather than the normal 26. Accrued Long Service Leave is not included in the table. Senior executives who were based in Head Office had access to a car park valued at \$2,728 in 2015-16, which is not shown in the table. The table details the remuneration of Key Senior Executives who report directly to the Managing Director. The remuneration paid to all senior executives was summarised in the Senior Executive Remuneration section of DHA's [Annual Report 2015-16](#).
2. Salary may include the value of any leave that was cashed out, eg special leave or annual leave.
3. Ms J Mason did not receive a performance bonus in the 2015-16 year as she commenced employment on 2 November 2015. The pro rata performance bonus in respect of 2015-16 was paid in 2016-17 and will therefore be included in the 2016-17 Remuneration Report.
4. Ms M Dermatossian received a termination benefit, however this was paid in the 2016-17 reporting year and is therefore not included in this report. It will be included in the 2016-17 Remuneration Report. Ms Dermatossian was also provided with access to a car park at the Sydney DHA office valued at \$13,426 in 2015-16, which is not shown in the table.
5. Mr P Howman ceased employment with DHA on 30 October 2015 and the salary in FY2016 reflects this. Mr P Howman received a termination benefit as noted above in accordance with the relevant Remuneration Tribunal determination.