

Remuneration Disclosure

Introduction

About us

Hannover Life Re of Australasia Ltd (**HLR Aus/Company/we/us/our**) is a Life Company regulated by APRA under section 21 of the Life Insurance Act. The HLR AUS financial year is a calendar year that runs from 1 January until 31 December. HLR Aus is owned by Hannover Rück SE, an insurer headquartered in Germany and regulated by the Federal Financial Supervisory Authority, known as BaFin (**Group**).

About our Remuneration Policy

We've prepared this document to explain our remuneration arrangements as the Prudential Standard requires. It explains:

- our remuneration framework and the governance of that framework
- the design of our variable remuneration plans and how we defer or adjust variable remuneration under those plans.

This Policy has been endorsed by the Remuneration Committee (**Remuneration Committee**) and approved by HLR Aus Board (**Board**).

Remuneration framework governance

Remuneration Policy and Remuneration Committee

The Remuneration Policy provides a governance framework for the structure and operation of remuneration, within the context of our strategy, long-term financial soundness and risk management arrangements.

The Board has sought to ensure that this framework:

- is aligned to prudent risk management
- considers material risk matters in remuneration outcomes
- gives incentives for proper conduct and behaviours

Related codes and policies

Other HLR Aus codes and policies that form part of this framework include:

- the Code of Conduct
- the Company 'Purpose and Values'
- Conflict of Interest Policy
- Consequence Management Policy

Governance bodies

The main governance bodies that oversee remuneration and remuneration-related risk at HLR Aus are:

- the Board
- the Risk Committee
- the Remuneration Committee

The key body is the Remuneration Committee which reports to the Board.

Committee Charter

The Remuneration Committee is governed by a Charter. The Charter records its mandate to help the Board by overseeing the design, operation and monitoring of the Remuneration Policy that the Board approves.

Membership

The Remuneration Committee has:

- three members, all of whom are members of the Board
- an independent chair, who is one of these three Board members

Meetings

The Remuneration Committee meets at least twice each financial year, while the Risk Committee meets at least four times each financial year.

Both have free and unfettered access to other Board Committees and access to risk and financial control personnel and other relevant parties (internal and external).

If a Committee engages third-party experts, it can do this in a way that ensures that the engagement and any advice received is independent.

The role of the Board

The Board approves the Remuneration Policy and is responsible for the effectiveness of the remuneration framework.

To provide oversight of remuneration policies and procedures, the Board considers:

- reports from the Remuneration and Risk Committees
- the reporting framework for management to the Board

The Board also has:

- access to risk and financial control personnel and other relevant parties (internal and external)
- the right to engage independent third-party experts

Remuneration framework

Objectives

The key objectives of our remuneration arrangements are to:

- allow us to attract, motivate and keep quality personnel through remuneration arrangements that are simple, transparent, flexible and competitive
- encourage behaviour that aligns with our business plan, strategic objectives and risk management framework
- align remuneration with stakeholder interests to promote effective management of financial and non-financial risks, sustainable performance and the long-term soundness of the Company, while recognising superior performance

Application

When applying the framework, we judge performance-based components of remuneration in the context of how effectively we have:

- managed financial and non-financial risks
- protected policyholders
- shown behaviour that helps prevent and reduce conduct risk, and contributes to sustainable performance and the long-term soundness of HLR Aus

The arrangements described in the Remuneration Policy are designed to encourage our employees to act responsibly and with integrity, in a way consistent with our risk management framework.

Remuneration Policy

Policy scope

The Remuneration Policy covers the remuneration arrangements for each responsible person (as defined in *Prudential Standard CPS 520 Fit and Proper*), excluding external and Appointed Auditors and Non-Executive Directors.

This includes these Executives:

- Managing Director
- Chief & Appointed Actuary
- General Manager (Finance) & Company Secretary
- Chief Operating Officer
- General Manager, Group Business
- General Manager, Retail Business

It also covers the remuneration arrangements for:

- anyone who is a Direct Report to the Managing Director, including the Senior Internal Auditor and the Head of Data Insights
- non-executives who are Material Risk Takers
- Other Specified Persons

Material Risk Takers

Material Risk Takers are people:

- whose remuneration significantly depends on their performance, and
- whose activities, individually or collectively, may affect the financial soundness of the Company

They include the:

- Chief Risk & Compliance Officer/Privacy Officer
- Head of HR/Assistant Company Secretary

Other Specified Persons

Each person (or service company) not included in any of the above categories, whose main role is risk management, compliance, internal audit, financial control or actuarial control. These include the:

- Deputy Chief Actuary & Head of Corporate Actuarial
- Deputy Chief Actuary & Head of Actuarial Projects & Modelling
- Financial Controller
- Finance Manager
- Senior Risk Officer
- Senior Risk & Reporting Officer
- Senior Compliance Officer
- Compliance Officer

Executives

The Group remuneration policy set out in the Global Rewards Framework Policy (**Hannover Office Policy**) and other relevant Group policies and procedures apply to Executives.

These cover arrangements for:

- salary levels
- salary reviews
- evaluation processes
- bonus plans
- bonus payments

The internal policies, Principles of Determining Variable Compensation and/or Conditions for Granting Share Awards also apply to Executives.

The Hannover Office Policy forms part of the Remuneration Policy for these Executives and the Remuneration Committee and the Board must review, assess and approve any material alterations before they apply to the Executives.

Other employees

All employees other than those covered by the Hannover Office Policy are subject to the variable and performance-based components of remuneration set out in the HLR Aus Staff Bonus Plan (**Local Office Plan**).

The Local Office Plan structures remuneration arrangements for these individuals as:

- a fixed component payable as salary or traded-off for allowable benefits such as salary-sacrificed superannuation. The fixed component for each year is determined after the end of the year of the remuneration cycle for the previous year by reference to factors such as previous year's performance assessment, CPI and market rates. The fixed component is based on the employee's function and level of responsibility
- a variable, incentive based component based on the relevant applicable policy/plan
- superannuation benefits paid in accordance with legal requirements and contributed to the employee's superannuation plan

After ceasing employment

After a person ceases employment, they may still be entitled to any variable, incentive-based components based on the terms of the:

- Hannover Office Policy
- Principles of Determining Variable Compensation
- Conditions for Granting Share Awards
- Local Office Plan

The Board will approve each award.

Incentives

We can apply incentive arrangements so that if a former Executive or Non-Executive:

- engages in misconduct during their employment, they forfeit any claim for incentive payments owing to them under the Hannover Office Policy, the Principles of Determining Variable Compensation and Conditions for Granting Share Awards or the Local Office Plan, or
- engages in misconduct or breaches Company policies, breaches employment terms or exhibits other unacceptable performance, they must forfeit or repay some or all of any claim for incentive payments owing to them under any variable remuneration arrangements

Equity

No-one covered by the Remuneration Policy receiving equity or equity-linked deferred remuneration can hedge their exposure to the resultant equity price risk before the equity-linked remuneration is fully vested and they can sell it for cash.

Bonuses and sign-on payments

We rarely make bonus or sign-on payments, but if we do, then in the relevant financial year:

- for new employees, these payments will not extend beyond a year
- for incoming staff, we can review any payments designed to compensate for deferred or forfeited remuneration on the basis of their performance, risk adjustment or deferral

Entitlement to variable remuneration

Variable remuneration entitlements are subject to:

- employment contract terms
- the Hannover Office Plan
- the Local Office Plan

HLR Aus employees must demonstrate behaviours that reflect the strategy, values and objectives of HLR Aus and the obligations of their role. These obligations include compliance with our policies and procedures, including adhering to our overall risk management requirements.

Variable reward plans (both cash and equity) include specific risk considerations to ensure that we achieve quantifiable results within appropriate risk management parameters.

Assessing bonuses

When assessing entitlements to bonuses under the Hannover Office Plan and shadow share entitlement, we use a weighted approach based on the factors relevant to Group performance and individual performance, with Group performance being the main contributor.

When assessing entitlements to bonuses under the Local Office Plan, we use a weighted approach, based on factors relevant to:

- Group performance
- HLR Aus performance
- individual performance

The weighting for individual performance is equal to the other two factors combined.

Individual performance measures

The Remuneration Committee approves the performance metrics and ratings for all individuals covered by the Remuneration Policy.

We measure individual performance at the end of each remuneration cycle and use the outcomes to assess the variable component of remuneration for that cycle.

Scorecard

We assess individual performance against a balanced scorecard. The performance-based assessment process considers financial and non-financial risk outcomes (including for customers, people and reputation) and measures performance against agreed targets and weighted objectives.

The objectives of modelling the values, completing mandatory training and technical competencies apply to everyone.

Metrics

Performance assessment metrics vary from individual to individual depending on their role. They are subject to the Hannover Office Policy and Local Office Plan and targets and objectives established under these.

For the risk and financial control personnel, objectives are limited to non-financial parameters.

Role of the Board

After the assessment process, the Board considers the recommendations of the Remuneration Committee to assess and award variable remuneration.

The Board can remove an individual's entitlement to some or all of their variable compensation if they have demonstrated unsatisfactory individual performance, whether or not the HLR Aus and/or Group financial performance achievements have been met.

This includes, but is not limited to, circumstances involving:

- misconduct leading to significant adverse outcomes
- a significant failure of financial or non-financial risk management
- a significant failure or breach of accountability, fitness and propriety or compliance obligations
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based
- significant adverse outcomes for customers or counterparties

Adjusting variable remuneration

The Board can adjust any variable, incentive-based remuneration components down to zero, if these adjustments are needed to:

- protect the financial soundness of HLR Aus
- respond to significant unexpected or unintended consequences that the Board did not foresee, or
- in accordance with the Consequence Management Policy to reflect the consequences for an individual who has engaged in misconduct or non-compliance, including failing to comply with the AFAR obligations or policies and procedures, the Code of Conduct, or failing to meet certain individual targets

An individual's variable compensation can be:

- reduced at any time before it is actually paid or vested, or
- clawed back at any time after it is actually paid or vested

Paying variable remuneration

For Executives, who are under the Hannover Office Plan:

- 60% of variable remuneration entitlement is paid in cash in June of the year after the bonus year
- 40% is held as a long-term incentive (LTI) and does not vest for four years

For all others covered under the Local Office Plan, the total variable remuneration is paid in cash in June of the year after the relevant remuneration cycle year.

Deferrals and adjustments

The Board can:

- defer or adjust the variable remuneration of any person in the scope of the Remuneration Policy, or
- clawback some or all of the variable compensation paid to such a person in its discretion, subject to the relevant plan and other HLR Aus policies and procedures

In exercising this discretion, the Board considers any information (internal or external) that it considers relevant, including the overarching performance against objectives, feedback and other reports about conduct, culture and behaviours.

The Board can reduce or clawback at its discretion for:

- the remuneration cycle year in which the Board decides to reduce or clawback the individual's variable remuneration (which may include the remuneration cycle(s) in which the relevant matter is being investigated, noting that no variable remuneration will vest until the closure of the investigation)
- any earlier remuneration cycle year(s), and
- in all cases, proportionately to reflect the severity of the risk and conduct outcome.

Interpretation

APRA means the Australian Prudential Regulation Authority

Consequence Management Policy means the policy of this name approved by the HLR Aus Board

Code of Conduct means the Code of Conduct for the Group

Conflict of Interest Policy means the policy of this name approved by the HLR AUS Board

Group Manager is an Accountable Person as that term is defined pursuant to the Australian Financial Accountability Regime (**AFAR**)

Life Company has the meaning given in the Schedule to the Life Insurance Act 1995

Parent Entity has the meaning given in Prudential Standard GPS 001 Definitions

Subsidiary has the meaning given in Prudential Standard GPS 001 Definitions.

Prudential Standard means Prudential Standard CPS 511 Remuneration.