Tokio Marine Management Australasia

CPS 511 Disclosures

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The following remuneration disclosure has been prepared by the Australian branch of Tokio Marine and Nichido Fire Insurance Co Ltd (**TMNFA**) in accordance with the Australian Prudential Regulation Authority's (**APRA**) remuneration disclosure requirements under Prudential Standard CPS 511 Remuneration (**CPS 511**).

Governance

The Senior Officer Outside Australia (**SOOA**) is ultimately responsible for the remuneration framework of TMNFA and its effective application. This includes TMNFA's Remuneration Policy which has been developed to ensure compliance with TMNFA's regulatory obligations, including under the Financial Accountability Regime (**FAR**) Act and CPS 511.

The Tokio Marine Management (Australasia) Pty Ltd (**TMMA**) Board (the **Board**) has established a Remuneration Committee (**Remuneration Committee**) which reviews the effectiveness of the remuneration framework, ensures remuneration strategies support the strategic objectives and culture, and oversees remuneration arrangements of employees of TMMA.

The Remuneration Committee has an oversight role and acts as an advisory committee to assist the SOOA.

The Remuneration Committee, consisting of Non-Executive Directors of the Board, meets four times during the financial year and operates independently with full access to the Board and its Committees. The Remuneration Committee follows a Charter, reviewed annually, and the Remuneration Policy is also reviewed at least annually or as regulatory, business, or legislative needs arise.

The Remuneration Committee reviews reports from the Chief Risk & Compliance Officer (**CRCO**), including recommendations for any downward adjustments to variable remuneration where appropriate due to conduct risk. These reports help ensure that remuneration outcomes are aligned with performance and risk management.

The Remuneration Committee then makes recommendations to the Board, which retains discretion to further reduce variable remuneration, including to zero, for all employees.

In addition, the SOOA may consult with or receive recommendations from the Chief Executive Officer (**CEO**), CRCO, relevant risk and control personnel and Human Resources.

During the past financial year, the Remuneration Committee and the SOOA met 4 times to discuss remuneration matters.

Remuneration Framework

Remuneration outcomes are subject to different levels of approval depending on the role. Fixed pay increases and variable remuneration awards are recommended by an employee's manager and subject to approval by the Remuneration Committee, except in the case of senior managers that require approval by the SOOA (the SOOA also approves variable remuneration outcomes of any highly paid material risk takers and risk and control personnel on a cohort basis).

All variable or performance-based remuneration is assessed having regard to the following four categories of KPIs, taking account of the TMNFA's business plan, strategic objectives and risk management framework:

- mission and values;
- risk and compliance;
- key performance indicators for employee goals; and
- personal development.

When considering and approving fixed and/or variable remuneration, the SOOA:

- reviews remuneration arrangements to ensure alignment with the TMNFA's approved Remuneration Policy and risk management framework;

- considers individual and business performance, risk outcomes, and conduct factors as part of the decision-making process;
- seeks input from relevant internal stakeholders, including risk and compliance functions, to ensure that all remuneration recommendations support prudent risk-taking and comply with regulatory requirements; and
- submits recommendations for material remuneration outcomes to the Board or the Remuneration Committee for review and approval, as required under CPS 511.

This process ensures that all fixed and variable remuneration decisions made by the SOOA are transparent, consistent with CPS 511, and appropriately governed by the Board.

The SOOA has responsibility for approving the Remuneration Policy and ensuring it is subject to regular review. In this, the SOOA is supported by TMMA's Board and the Remuneration Committee.

Relevantly, the Remuneration Committee is to conduct regular reviews of the Remuneration Policy, which must include an assessment of its effectiveness and compliance with CPS 511, and make recommendations for any improvements or changes when reviewed annually.

Design and Structure

TMNFA's remuneration framework is designed to align with its business plan, strategic objectives and its risk management framework as required under CPS 220 Risk Management. As part of this, there is a demonstrable focus on sustainable performance and long term soundness. Specifically, the remuneration framework:

- aligns variable remuneration outcomes with performance and risk outcomes (both financial and non-financial risks) through the CRCO's opinion paper.
- allows for adjustments to reflect the business outcomes and/or financial or non financial risks associated with specific business lines – and ensuring those adjustments take place when required;
- ensures that the timing for payment and vesting allows for performance and risk outcomes to be reliably measured and/or identified; and
- reflects regulatory requirements specific to each jurisdiction that the TMNFA operates in, as appropriate.

Relevantly, variable remuneration KPIs are determined on an annual basis having regard to the business plan and strategic objectives. Individual and corporate KPIs are recorded in each employee's performance record. The employees are assessed against these as part of their annual performance review. Variable remuneration awards are determined in light of KPI achievement and subject to a risk assessment (including that any risk and compliance gateways have been met).

The remuneration framework promotes effective management of both financial and non-financial risks, sustainable performance and the entity's long-term soundness in the following ways:

- variable remuneration is subject to financial and non-financial KPIs that are focused on achieving sustainable performance and appropriate management of risk;
- adjustments can be made to reflect business outcomes and/or financial or non-financial risk associated with specific business lines – and ensuring those adjustments take place when required; and
- payout and vesting schedules are applied to address the period over which risks might manifest themselves (including 4 years for long term incentives).

The remuneration framework supports the prevention and mitigation of conduct risk in the following ways:

- employees must complete mandatory risk, compliance and accreditation training, which is subject to regular auditing;
- employees must comply with the Code of Conduct;
- employees are subject to regular performance reviews which include an assessment of functional performance and conduct;
- consequence management will be applied where necessary, including if matters of the type set out below arise. This can include ineligibility for fixed pay increases or variable remuneration – or reduced variable remuneration (either an in-period adjustment or malus).

Remuneration Policy

The Remuneration Policy ensures all variable remuneration is subject to compliance with four categories of KPIs (set out above), having regard to TMNFA's business plan, strategic objectives and risk management framework.

Employees in Specified Roles

Senior Managers include:

- Accountable persons as defined by the FAR, and responsible persons as defined by Prudential Standard CPS 520 Fit and Proper;
- Executive Directors, which include the CEO and Chief Financial Officer;
- Highly-paid material risk takers, which include individuals whose activities have a material potential impact on TMMA's risk profile, performance, and long-term strategies;
- Material risk takers, which include individuals whose decisions can materially affect TMNFA's risk profile; and
- Risk and financial control personnel, which include employees working in a risk, compliance, financial control, auditing, or actuarial role.

Consequence Management

The Remuneration Committee or the SOOA may adjust performance-based components of remuneration downwards, to zero if appropriate, in a range of circumstances. The adjustments to variable remuneration would be proportionate to the severity of the risk and conduct outcome.

Specifically, adjustments should be made where any of the following arises:

- 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; or
- where payment of variable remuneration would result in significant adverse outcomes for customers, beneficiaries or counterparties.

Adjustments could take the form of in-period adjustments, malus or clawback.

The Remuneration Committee will:

- make recommendations on the adjustment of the performance-based component of remuneration where necessary; and
- review the CRCO's opinion paper reviewing all audit, risk, compliance, incidents and people updates for the Remuneration Committee to make informed decisions on people's performance to adjust and claw back remuneration.

Consequence management will be applied where certain matters may lead to consequences based on their impact on the company, customers, and employees. These consequences may include training, performance management, and remuneration adjustments, which could involve downward adjustments to variable remuneration (to zero if appropriate) or the recoupment of variable remuneration under the Remuneration Policy.

Remuneration Components

Employees may be eligible for an annual discretionary bonus or participation in the long-term incentive plan.

- Long Term Incentive (LTI): the long-term incentive plan is a cash-based scheme that is designed to retain, motivate and reward senior leaders for the long-term delivery of sustained, profitable business growth. These LTI awards focus on long-term contributions, retention, critical roles, and key skills. LTI brochures outlining plan eligibility, unit types, and rules are available annually. LTI covers both financial and People and Culture performance criteria. LTI awards are subject to the deferral requirements of CPS 511 and FAR where applicable.
- Bonus: The annual discretionary bonus scheme affords employees the opportunity to achieve an annual bonus (up to a specified target amount) based on:

- Individual performance is determined by annual appraisals between individual employees and their managers; and
- Company performance for the past year as determined by management.

Both annual bonuses and LTI awards are subject to employees meeting relevant risk gateways and may be subject to reduction (or forfeiture) as part of the application of the consequence management framework.

Annual bonuses are paid in or around April in respect of the prior financial year (1 January – 31 December). Bonuses are based on individual and company performance and subject to appropriate risk-based assessments. If necessary, annual bonus awards can be reduced (potentially to zero) as a result of the application of the consequence management framework, including in respect of events that took place in a prior financial year. There is no separate deferred component, unless that is necessary to meet the deferral requirement under the FAR for Accountable Persons.

On the other hand, LTI awards are subject to a 3-year performance period with an additional 1-year vesting period. As such, any payments under the scheme necessarily take account of longer-term performance and risk outcomes and are measured or assessed over a longer-term risk horizon. In addition, the consequence management framework applies and awards/payments may be reduced (or even forfeited).

The combination of a 3-year performance period and an additional 1-year vesting period ensures compliance with the FAR 4-year deferral requirement for Accountable Persons (where applicable).

Tokio Marine Management Australasia

We are a representative and managing agent of Tokio Marine & Nichido Fire Insurance, a member of the Tokio Marine Group, one of the largest international insurance groups with almost 150 years' experience globally and more than 60 years in Australia.

TOKIO MARINE NICHIDO

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