

# **AIA Australia Limited**

## **AIA Health Insurance Pty Ltd**

### **Prudential Standard CPS 511 Remuneration (CPS 511) Remuneration Disclosure**

AIA Australia Limited is an APRA-regulated life company and is classified as a non-significant financial institution. AIA Health Insurance Pty Ltd is an APRA-regulated private health insurer, a non-significant financial institution, and is wholly owned by AIA Australia Limited. For the purposes of this disclosure AIA Australia Limited and AIA Health Insurance Pty Ltd report as a group (collectively, AIA Australia). This disclosure covers the financial year 1 January 2024 to 31 December 2024 (FY24).

#### **Remuneration Framework**

The performance of AIA Australia is critically dependent on the skills and experience of its people, with responsible remuneration arrangements designed to attract, motivate, and retain high calibre employees. The remuneration framework encourages behaviour that supports AIA Australia's long-term financial soundness and supports the risk management framework of AIA Australia.

The objectives of AIA Australia's remuneration framework are to ensure remuneration practices:

- attract, motivate and retain a high calibre workforce;
- align with AIA Australia's business plan, strategic objectives and risk management framework;
- promote the effective management of both financial and non-financial risks, sustainable performance and long-term soundness; and
- support the prevention and mitigation of conduct risk.

#### **AIA Australia's Remuneration Policy**

AIA Australia's Remuneration Policy articulates AIA Australia's remuneration framework, including the principles underlying the design and reward of remuneration for AIA Australia. Those principles are aligned with AIA Australia's purpose as AIA Australia believes a solid and fair remuneration framework will ensure that we can deliver on our strategic objectives. AIA Australia's Remuneration Policy applies to AIA Australia and its related bodies corporate in Australia and covers all persons directly employed or engaged by AIA Australia.

#### **Remuneration Design Principles**

AIA Australia remuneration arrangements have been designed to:

- ensure the appropriate mix between fixed, short-term and long-term variable remuneration, where such components are appropriate for inclusion in remuneration packages;
- include equity-linked variable remuneration as a component of remuneration packages (where relevant) in a way which aligns the interests of employees with the long-term financial and non-financial soundness and success of AIA Australia;

- link the vesting of variable remuneration to performance measures that balance short-term objectives with the promotion of long-term interests (including risk management); and
- consider the time horizon of risk through the application of deferral periods (where appropriate), and associated conditions that require appropriate in-year, malus, clawback or downward adjustments so that variable remuneration incentivises prudent risk-taking through appropriate deferral arrangements and risk performance adjustments to reflect:
  - the outcomes of business activities, including both financial performance and non-financial risk outcomes;
  - the risks related to the business activities taking account, where relevant, of the cost of the associated capital; and
  - the time necessary for the outcomes of those business activities to be reliably measured.

### **Forms of Remuneration**

AIA Australia's Remuneration Policy provides for the following forms of remuneration.

- **Fixed Remuneration**

All employees receive a fixed portion of their remuneration being the Total Employment Cost or TEC. TEC generally comprises salary, any salary sacrificed benefits, and mandatory superannuation contributions.

- **Variable Remuneration**

Variable remuneration includes all bonus and incentive schemes and any other remuneration that is conditional on the satisfaction of an objective (e.g., performance, service, an event, and time). Variable remuneration may vest having regard to individual and business performance and includes both financial and non-financial measures to help AIA prevent and manage risk.

The key forms of variable remuneration are short-term incentive (STI) and long-term incentive (LTI) awards. STI and LTI awards take the form of cash award, and awards of equity-linked instruments in AIA Australia's ultimate holding company. Further details are provided below.

- **Short-Term Incentive**

Individual performance under the STI plan is assessed against behavioural expectations and agreed performance measures that reflect the individual's role and responsibilities. Performance-related variable remuneration gives weight to non-financial measures. Business performance influences the on target STI calculation and is measured by reference to financial measures and strategic initiatives set each year.

- **Long-Term Incentive**

Specific employees may be entitled to participate in AIA Australia's LTI plans, under which they receive equity-linked instruments in the form of Performance Share Units (PSUs), Restricted Share Units (RSUs) and/or Share Options (SOs) in AIA Group. The purpose of AIA Australia's LTI awards is to engender a focus on sustainable long-term business performance. The value of the LTI awards that vest is performance contingent, based on business metrics that are directly aligned with the recipient's conduct and applicable performance measures (see further below). The AIA Australia Limited Board Remuneration Committee (BREM) applies a 25% aggregate overlay to

the number of PSUs available to vest based on its assessment of AIA Australia's achievement of the non-financial performance measures (i.e. achievement will either release the available vesting or modify the award downwards up to a maximum of 25% of the award).

### **Specified roles**

AIA Australia has identified the following positions to be specified roles for the purposes of CPS511 and its Remuneration Policy.

<b>Specified roles</b>	<b>Description of positions</b>
CEO	The CEO and MD of AIA Australia.
Senior managers and executive directors	All members of AIA Australia's Executive Committee (ExCo), and all Accountable Persons under FAR including: <ul style="list-style-type: none"> <li>• Chief Financial Officer;</li> <li>• Chief People &amp; Culture Officer;</li> <li>• Chief Marketing &amp; Propositions Officer;</li> <li>• Chief Risk Officer;</li> <li>• Chief Technology Officer;</li> <li>• Chief Group Insurance Officer;</li> <li>• Chief Customer Operations and Claims Officer; and</li> <li>• CEO and MD, AIA Financial Services.</li> </ul>
Material Risk Takers (MRT) Positions	AIA Australia did not have any MRTs in FY24.
Highly paid MRTs	AIA Australia did not have any highly paid MRTs in FY24.
Risk and Financial Control Personnel (RFCP) positions	Risk and Financial Control Personnel are engaged in positions in 2nd and 3rd line roles within AIA Australia's risk management, compliance, internal audit, financial control or actuarial control functions.

All persons in specified roles are eligible to receive LTI and STI awards.

### **Consequence Management**

Variable remuneration is subject to adjustment in accordance with AIA Australia's Consequence Management Framework. The Board has overriding discretion to adjust all forms of variable remuneration (including cash or equity-linked awards) for any person in response to an adverse risk and conduct trigger event, including:

- misconduct leading to significant adverse outcomes;
- 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, beneficiaries, or counterparties; and
- other adverse risk and conduct trigger events specified in AIA Australia's Consequence Management Framework.

Adjustments may be applied using one or a combination of the following adjustment tools:

- in-period adjustments: Adjustment of variable remuneration outcomes within AIA Australia's performance year;
- malus: Adjustment of deferred but unvested variable remuneration (i.e., deferred STI or LTI awards) through the forfeiture or lapsing of awards; and
- clawback: Recovery of variable remuneration that has already been paid or vested to employees for a period of up to two years from payment or vesting (only applies to variable remuneration awarded to persons in Specified Roles).

The size of adjustments to variable remuneration will be guided by a number of factors specified in AIA Australia's Consequence Management Framework, including the impact of the adverse risk and conduct trigger event, and will be proportionate to the severity of the trigger event.

Where an individual is under investigation in connection with their involvement in a suspected adverse risk or conduct trigger event, the Board will suspend vesting or payment of unvested variable remuneration until the conclusion of the investigation.

## **Governance of the Remuneration Framework**

Details of the main bodies that oversee governance of the remuneration framework, and how they perform this role are set out in the table below.

Body	Composition	Responsibilities
AIA Australia Limited Board  FY24 Board meetings: 4	<p>Comprised of seven directors:</p> <ul style="list-style-type: none"> <li>• four directors are independent non-executive directors (including the Chair);</li> <li>• two directors are non-executive directors; and</li> <li>• one director is an executive director (the CEO and Managing Director).</li> </ul> <p>A majority of Directors present and eligible to vote at all Board meetings must be non-executive Directors.</p>	<ul style="list-style-type: none"> <li>• Oversee accountability for AIA Australia's remuneration framework;</li> <li>• Approve AIA Australia's Remuneration Policy;</li> <li>• Review recommendations from the BREM;</li> <li>• Approve remuneration arrangements and outcomes for persons as required by the Remuneration Policy having regard to satisfaction of individual and business performance conditions (including non-financial performance conditions);</li> <li>• The Board oversees AIA Australia's Remuneration Policy by: <ul style="list-style-type: none"> <li>• conducting regular reviews of AIA Australia's Remuneration Policy and AIA Australia's remuneration framework, including assessment of its effectiveness in supporting AIA Australia's business objectives and its compliance with the requirements of CPS 511 (at least annually);</li> <li>• ensuring that the remuneration framework meets the requirements of the risk management framework of AIA Australia;</li> </ul> </li> <li>• The Board oversees the BREM's responsibilities and input by: <ul style="list-style-type: none"> <li>• reviewing the recommendations of the BREM in relation to the individual contractual arrangements for the Chief Executive Officer and senior Executives of AIA Australia; and</li> <li>• assessing whether the remuneration recommendations of the BREM meet the</li> </ul> </li> </ul>

Body	Composition	Responsibilities
		<p>objectives of the remuneration framework of AIA Australia, in relation to:</p> <ul style="list-style-type: none"> <li>○ remuneration arrangements;</li> <li>○ variable remuneration outcomes;</li> <li>○ reviewing and considering the AIA Australia Risk and Remuneration Committee (RRC) Report to the BREM – the purpose of this is to review any adverse risk and conduct trigger event (as defined in the Consequence Management Framework) that have arisen and determine the appropriate consequence (if relevant) for those identified as accountable for the incident.</li> </ul>
<p>AIA Australia Limited &amp; AIA Health Insurance Pty Ltd Board Remuneration Committee (BREM) FY24 Committee meetings: 4</p>	<p>Comprised of four independent non-executive directors.</p>	<ul style="list-style-type: none"> <li>• Acts as the Board Remuneration Committee for the Boards of both AIA Australia Limited and AIA Health Insurance Pty Ltd;</li> <li>• Assist the Boards by providing oversight of the design and operation of AIA Australia's remuneration framework as articulated in AIA Australia's Remuneration Policy;</li> <li>• Ensure that AIA Australia's remuneration practices support AIA Australia's business objectives and risk management framework and are compliant with all relevant legislation, including applicable Prudential Standards, as they may be amended from time to time;</li> <li>• Make recommendations to the Boards in relation to: <ul style="list-style-type: none"> <li>• the individual contractual arrangements for the Chief Executive Officer and senior executives of AIA Australia;</li> <li>• remuneration arrangements (including fixed and variable remuneration arrangements) for persons employed or engaged in Specified Roles (as described in AIA Australia's Remuneration Policy);</li> <li>• variable remuneration outcomes, including adjustments to variable remuneration where appropriate, for the persons in Specified Roles;</li> <li>• receive reports from the RRC concerning adverse risk and conduct trigger events (as defined in the Consequence Management Framework) that have arisen and determine the appropriate consequence (if relevant), for those accountable for the incident, in line with AIA Australia's CMF.</li> </ul> </li> </ul>

Body	Composition	Responsibilities
AIA Australia Limited Board Risk & Compliance Committee FY24 Committee meetings: 4	Comprised of four independent non-executive directors.	<ul style="list-style-type: none"> <li>Consult and report to the BREM on any significant risk matters that are relevant to the BREM's consideration in recommending risk-adjusted variable remuneration outcomes for roles specified in AIA Australia's Remuneration Policy, together with the Chief Risk Officer;</li> <li>Otherwise support the BREM and the Board to oversee AIA Australia's remuneration framework in a manner consistent with AIA Australia's risk management framework.</li> </ul>
AIA Health Insurance Pty Ltd Board  FY24 Board meetings: 6	Comprised of five directors: <ul style="list-style-type: none"> <li>three directors are independent non-executive directors (including the Chair);</li> <li>one director is a non-executive director; and</li> <li>one director is an executive director (the CEO and Managing Director).</li> </ul>	<ul style="list-style-type: none"> <li>Ultimately responsible for the remuneration framework of AIA Health Insurance Pty Ltd</li> <li>Delegated responsibility for remuneration related matters to the BREM in accordance with paragraph 59 of APRA Prudential Standard CPS511 Remuneration.</li> <li>Consider recommendations from the BREM and approving remuneration arrangements and outcomes for relevant persons in accordance with the Remuneration Policy.</li> </ul>
AIA Health Insurance Pty Ltd Board Risk & Compliance Committee FY24 Committee meetings: 4	Comprised of three independent non-executive directors.	<ul style="list-style-type: none"> <li>Consult and report to the BREM on any significant risk matters that are relevant to the BREM's consideration in recommending risk-adjusted variable remuneration outcomes for roles specified in AIA Australia's Remuneration Policy (insofar as relevant to AIA Health Insurance Pty Ltd), together with the Chief Risk Officer.</li> </ul>