SUREPLAN FRIENDLY SOCIETY LTD

REMUNERATION FRAMEWORK

OBJECTIVE

It is the objective of this Policy to comply with the requirements of the Prudential Standard Prudential Standard CPS 511 *Remuneration*. Remuneration is a key aspect of any governance framework and this Policy seeks to properly consider all aspects of remuneration in order to mitigate the risks to Sureplan that may arise from poorly designed remuneration arrangements.

RESPONSIBILITY

The Board is responsible for the sound and prudent management of Sureplan, including remuneration arrangements. The Board retains ultimate responsibility for the remuneration framework and its effective application.

The Board ensures that Sureplan maintains a remuneration framework that:
(a) aligns with the entity's business plan, strategic objectives and risk management framework;
(b) promotes effective management of both financial and non-financial risks, sustainable performance and the entity's long-term soundness; and
(c) supports the prevention and mitigation of conduct risk.

The Board is responsible for:

- Setting the remuneration levels of all "Responsible Persons";
- Endorsing this Remuneration Policy;
- Annually reviewing the application and effectiveness of the Remuneration Policy, particularly comparisons of intended and actual remuneration outcomes; and
- Annually reviewing this Remuneration Policy and its compliance with APRA requirements.

STRUCTURE AND FULL RESPONSIBILITIES BOARD REMUNERATION COMMITTEE

These are set out in *Board Policy Board Charter, Board Committee Terms of Reference & Board Committee Agenda Policy.*

NON-EXECUTIVE DIRECTORS

Non-Executive Directors receive fixed remuneration from a pool approved by the Members at a general meeting, normally the Annual General Meeting. Non-executive Directors are excluded from this Remuneration Policy and accordingly are covered by the Directors' Remuneration Policy. It is however noted that the remuneration pool for Directors will be set for Member approval taking into account Sureplan's long-term financial soundness.

SCOPE

This Policy covers all employees and agents, whether or not they are employees of Sureplan, whose actions could potentially put Sureplan's financial soundness at risk. Three groups have been identified for the purposes of the Remuneration Policy:

1. Responsible Persons as defined in APRA's Prudential Standard CPS 520 "Fit and Proper" to include executive directors, executives and senior managers who make or participate in making decisions that affect the whole, or substantial part, of the business of Sureplan.
2. Risk and financial control personnel.
3. Any other group of persons that receive a significant proportion of performance-based remuneration through bonuses, commissions and the like.

Given the limited size of Sureplan's workforce, this Policy identifies the Managing Director as the Responsible Person (Group 1) and also as risk and financial control personnel (Group 2). In relation to Group 3, recent legislative changes have resulted in commissions no longer being payable for sales of Sureplan's products.

The Board will annually review the identification of employees and relevant groups under this Policy.

REMUNERATION PHILOSOPHY

Sureplan's remuneration philosophy is focused on making remuneration sensitive to and balanced with risk outcomes. Remuneration payout schedules must be appropriate to time horizon of risks and the remuneration mix of cash and other forms of compensation should be consistent with Sureplan's risk appetite. However, due to the small size of Sureplan, there will always be an inherent risk in the lack of independence and separation of duties in financial and risk control areas from other performance areas of Sureplan.

Remuneration for Sureplan's staff comprises a base salary, statutory superannuation and leave entitlements.
Sureplan considers that appropriate levels of remuneration and compensation are essential to enhance the long-term best interest of its members.

PERFORMANCE-BASED INCENTIVES AND RISK

There are no risk-based incentives in any staff contract.

CONTROLS

Fixed Salary packages and payments.

The Board must review annually fixed salary expenditure within the context of this Policy. The fixed salary packages of staff are reviewed annually by the Managing Director and approved in total by the Board in the annual budget process. The Managing Director's fixed salary is reviewed annually by the Board. Salary movements awarded to staff do not necessarily apply to the Managing Director. From time to time, a review of all remuneration

packages is performed by an independent consultant to provide an independent reference point for the Board and the Managing Director.

The Managing Director reports quarterly to the Board on the comparison of all remuneration expenditure to budget and details any variance.

Incentive-Based Payments

The Board must review annually any incentive-based payments with the context of this Policy in mind.

APRA Prudential Standard CPS 511

The Remuneration Committee will take into account the relevant provisions of CPS 511 when designing and determining variable remuneration arrangements for staff at Sureplan.

Chief Risk Officer (CRO) Remuneration

APRA Prudential Standard CPS 511 covers the service contract arrangements of the CRO, who is providing risk management services to Sureplan through a not related body corporate of Sureplan. It is noted that this remuneration is fixed in nature and that there are no payment incentives that could give rise to inappropriate behaviour.