MLC Limited CPS 511 disclosures

1 January 2024 — 31 December 2024

Contents

1. Purpose

The Directors of MLC Limited (MLC Limited or the Company) present the Company's remuneration disclosures in respect of the financial year ended 31 December 2024 (FY24), pursuant to paragraphs 91 to 98 of the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 511 Remuneration (CPS 511).

2. Our specified roles

Specified roles under CPS 511 include senior managers, material risk-takers (including highly-paid material risk-takers) and risk and financial control personnel.

At MLC Limited, all of the Company's specified roles for the purposes of CPS 511 fall within our Executive Leadership Team (ELT) with the exception of our Appointed Actuary and General Manager Internal Audit.

Our ELT includes our Chief Executive Officer and Managing Director (CEO) and their direct reports. These roles are responsible for delivering on MLC Limited's strategic priorities and have a significant ability to influence short-term and long-term performance outcomes for our shareholders and customers.

3. Remuneration framework and principles

a) Our remuneration principles

At MLC Limited, our customers are at the centre of everything we do and our ambition is to be Australia's leading, most trusted life insurer and to deliver on our purpose to provide 'A promise for life'. Our remuneration framework is designed to:

- attract, motivate and retain the talent we need to deliver on our strategic imperatives and focus areas in line with our purpose;
- align with our risk management framework, support our long-term soundness and encourage sustainable decision making in the interests of our shareholders and customers; and
- discourage behaviour that does not align with our values and expectations (refer section 5 for further detail on conduct risk and consequence management).

Our remuneration principles (outlined in Diagram 1 below) reflect these objectives and guide the design of our remuneration framework at MLC Limited.

b) Our FY24 remuneration framework

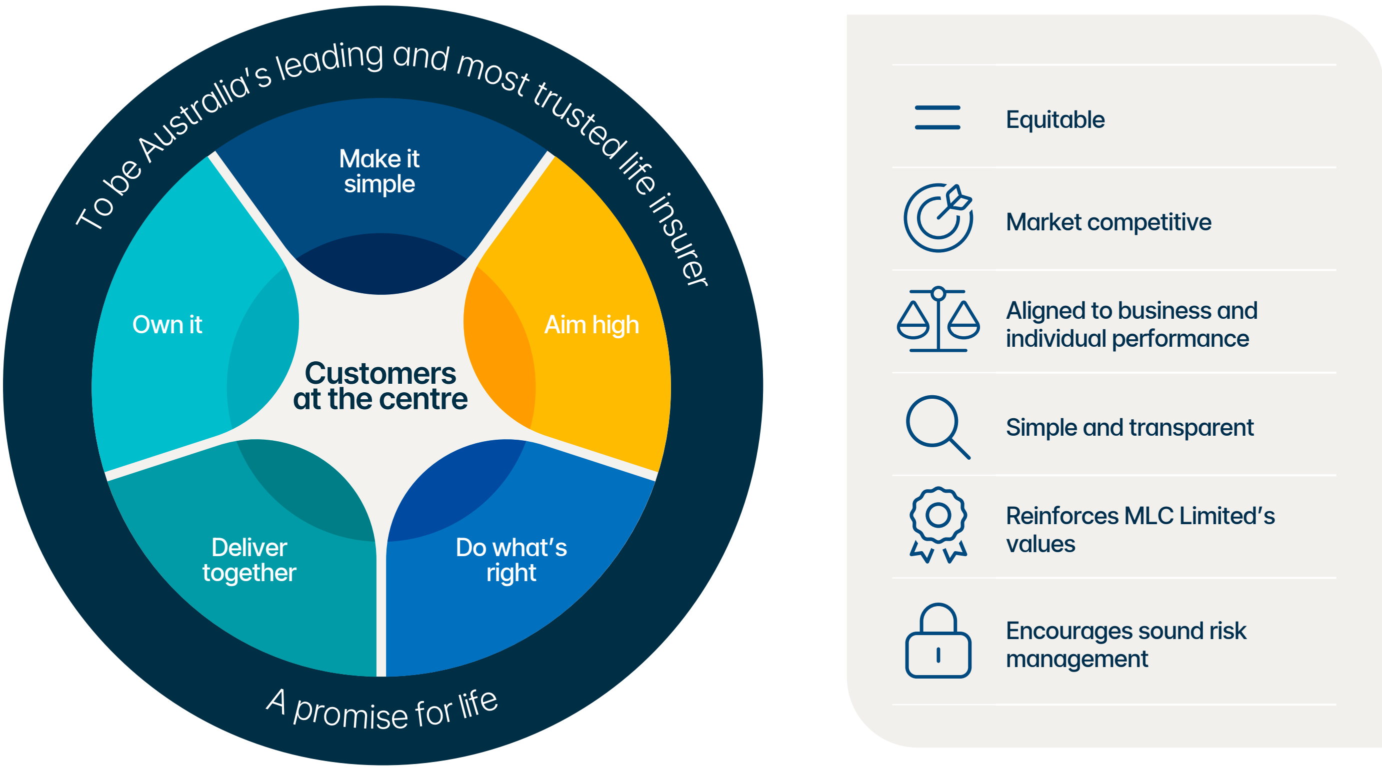
The key elements of our FY24 remuneration framework and their rationale are outlined in Diagram 2.

In FY24, our entire permanent workforce (including our specified roles under CPS 511) participated in our short-term incentive (STI) program.[1]

Our ELT participated in the long-term incentive (LTI) program reflecting their seniority and significant ability to influence short and long-term shareholder and customer outcomes. Our Appointed Actuary and General Manager Internal Audit (who are MLC Limited's other specified roles under CPS 511) do not participate in the LTI due to the nature of their role and to align with the remuneration arrangements of their peers (i.e. other senior leaders).

Diagram 1: Our remuneration principles

At MLC Limited, our remuneration principles support the delivery of our ambition.



1 Fixed term contractors do not participate in our STI (unless by exception).

Diagram 2: Our remuneration principles

<table>
<tr><th colspan="4">Our FY24 remuneration framework</th></tr>
<tr><th></th><th>Fixed remuneration</th><th colspan="2">Variable remuneration</th></tr>
<tr><td>Element & rationale</td><td>Provides a competitive base to attract and retain top talent to manage and lead our business and reflects the knowledge, skills and capability of each employee.</td><td>Short-term incentive (STI) program
Recognises and rewards each employee's contribution to the delivery of our organisational strategy and outcomes during the performance year. Considers Company performance, individual performance, risk management and customer outcomes.</td><td>Long-term incentive (LTI) program
Seeks to drive management decisions focused on the long-term prosperity of MLC Limited.</td></tr>
<tr><td>Description</td><td>• Consists of base salary, salary sacrificed benefits and superannuation contributions.</td><td>• Instrument: cash and deferred cash (where applicable).
• Performance period: 1 year (i.e. 1 January 2024 to 31 December 2024).
• Measures: outcomes are determined based on performance against the Company's Enterprise Scorecard and individual performance.
For FY24, measures under the Enterprise Scorecard were based on the following categories – financial and growth (45%); experience (30%) and execution (25%) with an overall Risk Modifier.
• Deferral: a portion of the STI is deferred as deferred cash for the ELT and senior leaders:[1]
– ELT: 40% of the STI is deferred; 20% for 1 year, with a further 20% deferred for 2 years.
– Senior leaders : 25% of the STI is deferred for 1 year.</td><td>• Instrument: deferred cash.
• Performance period: 3 years (i.e. 1 January 2024 to 31 December 2026).
• Measures: embedded value (60%); statutory net profit adjusted for agreed items (20%); premiums in force (20%).</td></tr>
<tr><td>Alignment with strategy and performance</td><td></td><td>• The categories under our Enterprise Scorecard consist of a mix of financial and non-financial measures which align with our strategic priorities and ensure we are driving the right behaviours and outcomes for our customers, partners and our employees. The measures are annual measurable targets derived from MLC Limited's 3-year strategy and are approved by the Board.
• The STI is wholly performance tested. Outcomes under the STI vary with performance against measures under the Enterprise Scorecard as well as individual performance. Individual performance considers both the 'what' (i.e. outcomes in respect of core role and stretch requirements) and the "how" (i.e. values, conduct and risk).</td><td>• The LTI measures are set having regard to MLC Limited's 3-year strategy and key measures of success over the performance period. Measures and targets are approved by the Board.
• The LTI is wholly performance tested and each performance measure has a sliding scale vesting schedule to ensure that outcomes are commensurate to performance. Failure to meet threshold performance against a measure will result in no pay-out against that measure.</td></tr>
<tr><td>Alignment with risk</td><td></td><td>• The performance assessment outcome under the Enterprise Scorecard is subject to a Risk Modifier which allows for adjustments (including down to zero) as determined by the Board where MLC Limited has failed to proactively manage risk.
• Individual performance also considers whether participants have proactively managed risk as part of their core role.
• The MLC Limited Board also has the ability to apply in-year adjustments, malus and clawback where there is a breach of internal risk management requirements or a significant failure of financial or non-financial risk management.
• Refer to section 5 for further detail on conduct risk and consequence management.</td><td>• The MLC Limited Board has the ability to apply in-year adjustments, malus and clawback where there is a breach of internal risk management requirements or a significant failure of financial or non-financial risk management.
• Refer to section 5 for further detail on conduct risk and consequence management.</td></tr>
<tr><td>Alignment to long-term soundness & sustainability</td><td></td><td>• As outlined above, a portion of the STI is deferred for ELT and senior leaders. This aims to encourage long term sustainable decision making.
• The MLC Limited Board also has the ability to apply in-year adjustments, malus and clawback having regard to any impact on the Company's financial soundness.</td><td>• Performance is assessed over a 3-year period to encourage long-term decision making and drive long-term value creation.
• The MLC Limited Board also has the ability to apply in-year adjustments, malus and clawback having regard to any impact on the Company's financial soundness.</td></tr>
</table>

1 Senior leaders at MLC Limited are 'Head of' roles and above (excluding the ELT). MLC Limited's specified roles outside of the ELT (i.e. the Appointed Actuary and General Manager Internal Audit) are senior leaders and therefore participate in the STI only with a 25% deferral for 1 year.

4. Remuneration governance

a) Oversight of remuneration

MLC Limited maintains robust arrangements in relation to the governance of the remuneration framework. Further details are outlined in Diagram 3 below in relation to the responsibilities of the MLC Limited Board and Board Remuneration Committee (which are the main bodies that oversee remuneration) as well as how the Board Risk Committee, the Board Audit Committee and the Chief Risk Officer (**CRO**) provide input into remuneration. Section 4(b) provides further detail on how the Board exercises its discretion in determining remuneration outcomes.

Diagram 3: Oversight bodies

Board Meetings:
The Board met 12 times during FY24.

The Board is ultimately responsible for MLC Limited's remuneration framework and its effective application.

This includes approving MLC Limited's Remuneration Policy, approving the remuneration arrangements and variable remuneration outcomes for specified roles under CPS 511 and considering the other recommendations made by the Board Remuneration Committee as outlined below.

Board Remuneration Committee Meetings:
The Board Remuneration Committee met 4 times during FY24.

The Board Remuneration Committee is responsible for assisting the Board in relation to the people and remuneration strategies, policies and practices of MLC Limited.

In relation to remuneration, the Board Remuneration Committee is responsible for the following:

- Conducting regular reviews of, and making recommendations to the Board on, the Remuneration Policy, remuneration framework and strategy (including the design and implementation of incentive plans for all employees);
- Making annual recommendations to the Board on the performance, remuneration arrangements and variable remuneration outcomes for persons in specified roles under CPS 511; and
- For all employees, reviewing and recommending to the Board: (1) performance measures and targets under the STI and LTI programs (including the methodology for assessment); (2) assessment of performance against relevant measures and targets; and (3) the overall STI pool amount (including consideration of the risk modifier).

In carrying out its role, the Board Remuneration Committee also consults with the Board Risk Committee and CRO to ensure that risk outcomes are appropriately reflected in remuneration outcomes for all employees including those is specified roles under CPS 511.

Board Risk Committee, the Board Audit Committee and CRO

The flow of information between the Board Remuneration Committee, the Board Risk Committee and Board Audit Committee is facilitated in a number of ways at MLC Limited as outlined below:

- All Directors, including the members of the Board Risk Committee and Board Audit Committee are given a standing invitation to attend the Board Remuneration Committee;
- There is a standing agenda item at each Board Remuneration Committee meeting (including when variable remuneration outcomes are determined) for the Board Risk Committee and Board Audit Committee to raise any risk matters or provide any input from a risk perspective; and
- All members of the Board Risk Committee and Board Audit Committee are also members of the Board Remuneration Committee.

The CRO also provides input to the Board Remuneration Committee as follows:

- The CRO is required to attend Board Remuneration Committee meetings for any risk management performance matters; and
- The CRO independently presents multiple items to the Board Remuneration Committee including an item when variable remuneration outcomes are determined. The CRO provides an overall MLC Limited risk assessment and recommendation of the application (and percentage impact) of the risk modifier under the STI as well as assessments of the individual risk performance of specified roles under CPS 511.

Management
Provides information relevant to remuneration decisions and makes recommendations to the Board Remuneration Committee.

4. Remuneration governance *continued*

b) Board discretion

The Board has ultimate discretion in relation to determining outcomes under the STI and LTI programs. While not exhaustive, with input from the Board Remuneration Committee, the Board Risk Committee and the Board Audit Committee, the Board may adjust outcomes upwards or downwards (including down to zero) in the following circumstances or having regard to the factors outlined in Diagram 4 below.

Diagram 4: Board discretion

Board discretion	
To protect the financial soundness of MLC Limited	The impact of investment decisions (acquisition and divestments) over the longer term and impairments
To respond to significant unexpected or unintended consequences that were not foreseen	In consideration of the short, medium and long-term shareholder outcomes
To recognise factors that were not known or not relevant at the beginning of the financial year, which impacted performance positively or negatively, during the course of the performance period	Having regard to the degree of stretch implicit in the performance measures and targets and the market environment in which the performance targets were set
Where the operating environment during the performance period was materially different than that forecasted	Taking into account MLC Limited's performance relative to its competitors
Where there has been an emergence of any major positive or negative risk, compliance or reputational issues (taking into consideration the CRO's assessment of risk outcomes for the performance period)	Non-compliance with MLC Limited's Consequence Management Framework

5. Consequence management and conduct risk

a) Approach to conduct risk

MLC Limited's remuneration framework is designed to support the prevention and mitigation of conduct risk. As outlined in Diagram 5 below, there are two key ways in which the framework encourages our employees to behave in a manner which aligns with our values and expectations. These include: (1) our conduct gate under the STI and LTI Programs; and (2) variable remuneration adjustment mechanisms including in-year adjustments, malus and clawback. Further detail on the adjustment mechanisms is outlined in section 5(b). MLC Limited also requires all employees to proactively manage risk and comply with the Code of Conduct as part of their core role requirements.

Diagram 5: Remuneration framework and conduct risk

Remuneration framework and conduct risk	
Conduct gate	The STI and LTI programs and outcomes are subject to a conduct gate which operates based on a 'traffic light' system. • A **RED** conduct gate results in no in-year vesting of STI or LTI awards and forfeiture of prior year deferred STI. This may occur where there is a significant conduct breach, multiple minor breaches or remedial actions which are not completed satisfactorily. • An **AMBER** conduct gate results in an automatic reduction to the in-year STI and the following year's LTI award. This may occur where conduct requirements are not adhered to or completed. • A **GREEN** conduct gate has no impact on STI and LTI. To achieve this, employees must adhere to conduct requirements and there must be no identified breaches.
Adjustments tools	• The STI and LTI outcomes are subject to various adjustment tools including in-year adjustments (where vesting outcomes are reduced), malus (where deferred awards are forfeited) and clawback (where vested and paid awards are recouped). Further detail on the circumstances in which these tools may be applied is outlined in section 5(b).

5. Consequence management and conduct risk *continued*

b) Adjustment tools

Diagram 6 below provides further detail on the adjustment tools (i.e. in-year adjustments, malus and clawback) which may apply to variable remuneration under MLC Limited's remuneration framework (including the factors that the Board may consider when applying these consequences).

Diagram 6: Adjustment tools

Adjustment tools

Circumstances in which adjustment tools may be applied

The MLC Limited Board may determine that an in-year adjustment, malus or clawback may be applied where, in the opinion of the Board:

- An individual has engaged in misconduct or a breach of their employment obligations (including fraud, dishonesty, gross negligence, recklessness, or willful indifference);
- An individual has significantly failed to comply with financial or non-financial risk management;
- An individual has significantly failed or breached accountability, fitness and propriety, or compliance obligations;
- An individual has failed to meet MLC Limited's conduct gate (e.g. red or amber conduct rating), including a determination that a former employee engaged in conduct that would have caused failure of the conduct gate or equivalent if still employed;
- There is a material misstatement in, or omission from, MLC Limited's financial statements, or a misstatement of a performance conditions applicable to an incentive scheme;
- An individual has acted or failed to act in a way that has contributed to material reputational damage to MLC Limited;
- All or part of the initial award was not justified due to a significant error or significant misstatement of criteria on which the variable remuneration determination was made; and/or
- An individual's actions have resulted in significant adverse outcomes for customers, beneficiaries, or counterparties.

Proportionality of consequences

In determining whether an adjustment tool will apply, the Board will consider:

- Whether the matter falls within one of the circumstances outlined above;
- Proportionality of the consequence with the severity of the risk and / or conduct outcomes (having regard to the nature of the matter (as outlined above) and the factors outlined below); and
- Apply the variable remuneration adjustment tools in order from in-period adjustment to malus to clawback.

Factors to be considered in the application of consequences

Board considerations

- Whether the Board would have made a different decision at the time the award was granted, vested, or paid if the circumstances or information which has come to light was known at the time the decision was made; and
- Any significant, unexpected, adverse or unintended consequences.

Impact on MLC Limited

- The quantum of the actual loss or damage and any impact on MLC Limited's financial soundness;
- The extent of any reputational damage to MLC Limited;
- Whether it was a breach of internal risk management requirements and / or regulatory requirements and if so, the extent of the breach;
- Whether MLC Limited's Code of Conduct, directions, policies, protocols, practices and / or guidelines have been breached; and
- Whether the criteria in paragraph 67 of CPS 511 are satisfied.

Individual considerations

- The individual's level of responsibility, accountability or influence over the action or inaction;
- The extent to which the individual's actions directly (or indirectly) contributed to poor quality outcomes for customers;
- Whether the individual's action or inaction was intentional or not;
- Whether any known information at the time of the action or inaction was deliberately withheld;
- The time elapsed since the action or inaction; and
- Fairness of treatment across participants (including both past and present).

AC5880 0525