



# Remuneration Policy

## Operational Policy

**Version:** 5.0

**Approval date:** 27/07/2016

**Effective date:** 27/07/2016

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### References within this document

Within this document, a reference to Genworth or 'the Company' refers to Genworth Mortgage Insurance Australia Limited and its subsidiary companies.

References to the Board are to the Boards of Directors of Genworth and its subsidiary companies unless a specific Board is specified. All References to amounts are in Australian Dollars (AUD).

# 1. Policy Overview

## 1.1 Policy statement

This Genworth Australia Remuneration Policy (Policy) describes the strategy, governance and structure of the remuneration programs for the Company.

## 1.2 Purpose

This Policy documents the ways in which the Company's remuneration programs, governance and structure support the achievement of business objectives while encouraging behaviours that support the long term financial soundness of the business and align with the Company's Risk Management Framework (RMF).

This Policy forms part of the Company's RMF. In implementing this Policy, the Company seeks to comply with applicable law and regulations (including Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 510 Governance) and best practice in corporate governance.

### 1.2.1 Scope

This Policy applies to all employees and contractors of Genworth.

## 2. Legal and Compliance Requirements

### 2.1 Legal requirements

This Policy is intended to comply with the legal and regulatory requirements related to remuneration, including:

- APRA Prudential Standard CPS 510 Governance;
- APRA Prudential Standard CPS 520 Fit and Proper;
- APRA Prudential Standard CPS 220 Risk Management;
- Corporations Legislation; and
- ASX Corporate Governance Principles and Recommendations.

### 2.2 Compliance requirements

As an APRA-regulated institution, Genworth is required to establish and maintain a documented Remuneration Policy. The Policy must comply with the requirements in APRA CPS 510 Governance, which include that the Policy must:

- outline the remuneration objectives and the structure of the remuneration arrangements (including performance-based remuneration);
- be approved by the Board; and
- be designed to encourage behaviour that supports Genworth's long-term financial soundness and the RMF.

This Policy must also, at a minimum, cover the people specified in APRA CPS 510 (see Section 3.4 of this Policy). See also APRA Prudential Practice Guide PPG 511 Remuneration.

This Policy must be provided to APRA on request.

### 2.3 Penalties and consequences

Non-compliance with this policy exposes the company to regulatory sanctions including fines and undertakings. There are also reputational risks associated with non-compliance. Failure on the part of a manager to adhere to the spirit and letter of this Policy may result in disciplinary action including termination of employment or removal of the individual from a regulated role.

### 2.4 Review and update of the policy

The Committee will review this Policy every three years (or sooner if warranted due to changes in legislation or regulations or as determined by the Remuneration & Nominations Committee (the "Committee"), to assess the effectiveness and compliance with its requirement. The Committee will recommend any changes to the Board for approval.

## 3. Operating Principles and Guidelines

### 3.1 Overview & key terms

This Policy details the governance, structure and overall strategy through which the Company compensates employees and non-executive directors. The Company's remuneration strategy is to provide market competitive remuneration programs that help attract, retain and motivate highly competent employees who are dedicated to achieving business objectives in a manner that is consistent with the long-term interests of the Company and our shareholders. This strategy is reflected in specific remuneration programs which, subject to Board (and where applicable, shareholder) approval, deliver remuneration which aligns performance, outcomes, timeframes, shareholder, company and employee interests over the long-term. The Company is committed to remunerating without regard to age, gender, cultural background, ethnicity, nationality, religion, sexual orientation and disability.

This Policy refers to the following groups of employees.

- Key Leaders<sup>1</sup>, being personnel that in the Committee's or APRA's view:
  - i. are responsible for making, or participating in making, decisions that affect the whole, or a substantial part, of the Company, or
  - ii. have the capacity to affect significantly the Company's financial standing, or
  - iii. have a significant portion of total remuneration based on performance.

This group encompasses the Senior Leadership Team (SLT).

- Key Functional employees, being personnel whose primary role is risk management, compliance, internal audit, financial control or actuarial control.

### 3.2 Remuneration framework

The Company's remuneration framework includes fixed remuneration, short-term incentive programs and long-term incentive programs. Specific remuneration details, such as the annual salary increase budget, short-term (STI) and long-term incentive (LTI) objectives and funding/vesting amounts are reviewed by the Committee and recommended to the Board for approval. The fundamental principle underpinning the Company's remuneration programs is the alignment of employee, Company and shareholder interests by:

- using appropriate delivery vehicles (e.g. cash, equity and non-monetary benefits) and pay mix;
- measuring performance and delivering resulting remuneration over an appropriate time frame;
- using appropriate measures of competitiveness (e.g. median of appropriate comparator group); and
- operating within the Company's risk management framework and relevant regulatory requirements (in particular, APRA Prudential Standard CPS 510).

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<sup>1</sup> The definitions used to determine Key Leaders is as per APRA CPS 520 Fit and Proper, which is the definition referenced in APRA CPS 510 Governance.

### 3.2.1 Remuneration Framework

Remuneration	Components & performance measures	Delivery vehicle & time frame	Rationale & link to strategy	SLT	Non-SLT (bands 2-4)	Non-SLT (bands 5-6)	Non-executive Directors
<b>Fixed Remuneration (TFR, base salary, super &amp; other non-cash benefits)</b>				<b>Eligibility</b>			
Total Fixed Remuneration (TFR)	Notional base salary, superannuation contributions and notional value of car parking benefit. Performance per individual goals and job responsibilities.	TFR cash components (notional base salary and superannuation contributions) paid monthly.	Attract and retain high performing employees with market competitive fixed remuneration.	✓			
Base Salary	Base salary paid in respect of time and responsibilities of the role. Performance per individual goals and job responsibilities.	Base salary paid monthly as cash.			✓	✓	
Director Fees	Fees paid in respect of time and responsibilities of the role. Not performance contingent.	Director fees paid monthly as cash.					✓
Superannuation	9.5% of eligible earnings. Not performance contingent.	Paid monthly to individual's superannuation account.		✓	✓	✓	✓
Non-cash benefits	Health & Wellness Allowance (H&W), Salary Continuance Insurance (SCI) and Death, Total and Permanent Disablement insurances. Not performance contingent.	H&W annual reimbursement for expenses relating to health. Insurance premiums paid for by the Company.		✓	✓	✓	
<b>Variable/at-risk remuneration - Short-term Incentives</b>							
Short-Term Incentive for SLT (STI)	Individual STI targets expressed as a % of TFR. Awards based on achievement of company goals and individual performance.	Mix of cash payment and equity grant; equity component subject to 12 month deferral. Performance measured over a 12 month period.	Provide for pay at-risk as an incentive for achievement of financial results and other strategic objectives over an appropriate time frame. Deferral, Board review and approval to ensure appropriate governance.	✓			
Short-Term Incentive (STI)	Individual STI targets expressed as a % of base salary. Awards based on achievement of company goals and individual performance.	Cash payment, performance measured over a 12 month period. Some participants may have a portion of their STI award converted to share rights and deferred for 12 months.	Provide for pay at-risk as an incentive for the achievement of financial results and other strategic objectives over an appropriate time frame.		✓		
Reach For Success (STI)	Specific dollar target for all participants. Awards based on achievement of company goals and individual performance.	Cash payment, performance measured over a 12 month period.				✓	
<b>Variable/at-risk remuneration - Long-term Incentives</b>							
Long-Term Incentive (LTI)	Individual LTI targets expressed as a % of TFR. Vesting based on three-year performance against two metrics.	Vested share rights convert to shares, providing linkage to shareholder experience. Three-year performance period and additional one-year deferral period mitigate focus on short-term at the expense of medium to long-term.	Provide for pay at-risk as an incentive to the Senior Leadership Team for achievement of financial results and shareholder value creation over a longer time frame. Deferral, Board review and approval to ensure appropriate governance.	✓			
Equity Plan	Individual grants	Vested share rights convert to shares over a four-year period.	Recognises performance and contribution, provides retention value and alignment with shareholder experience.		✓		

### **3.3 Remuneration decisions**

All remuneration proposals (including base salary/total fixed remuneration, bonus, equity awards, and termination payments (including termination payments made to former Directors and Key Leaders within three years of ceasing to be a Director or Key Leader)) for the CEO and other Key Leaders of the Company) are reviewed by the Committee and recommended to the Board for approval.

Remuneration proposals in aggregate for Key Functional employees (to ensure the independence of these personnel in carrying out their functions) are reviewed by the Committee and recommended to the Board for approval.

Whilst the Committee may seek input from individuals on remuneration programs, no member of management should be directly involved in determining their own remuneration. The Committee and the Board may adjust performance based components of remuneration downwards (to zero if appropriate), in relation to persons or classes of persons, if those adjustments are necessary to protect the financial soundness of the Company or to respond to significant unexpected or unintended consequences that were not foreseen by the Committee or the Board.

### **3.4 Prohibition of hedging**

An employee must not enter into any hedging arrangements in relation to any Share Rights or any Restricted Shares held (including any arrangement (with anyone) that has the effect of limiting their exposure to risk relating to Share Rights or Restricted Shares). Failure to abide by this rule may result in immediate forfeiture of Share Rights and/or Restricted Shares and/or other disciplinary action, including termination of employment.

### **3.5 Remuneration & Diversity**

The Company's commitment to remunerating without regard to diversity factors (for example in relation to gender) manifests itself in a number of processes and objectives which include; a commitment to measuring, addressing (as appropriate) and achieving gender pay equity, holding management accountable for remuneration outcomes with respect to diversity, and maintaining a rigorous and transparent performance assessment process.

### **3.6 Hiring bonuses**

Hiring bonus arrangements may be entered into where a new employee will, as a result of taking employment with the Company, forfeit bonus payments and/or equity. In such cases, there will be a waiting period to ensure that the employee is performing satisfactorily for the Company and a payback requirement if the employee should leave the company within a certain time period. In addition to the recommendation and approval process set out in section 3.3, hiring bonuses up to and including \$20,000 may be approved by the CEO, awards up to and including \$100,000 may be approved by the Committee and amounts over \$100,000 require Board approval.

### **3.7 Retention awards**

Retention awards may be granted where an employee has specific knowledge, skills, ability or experience, and the loss of which would severely impact business operations or cause a significant compliance or control issue. In addition to the recommendation and approval process set out in section 3.3, retention awards up to and including \$20,000 may be approved by the CEO, awards

up to and including \$100,000 may be approved by the Committee and amounts over \$100,000 require Board approval.



## 4. Roles and Responsibilities

### 4.1 The Board

The Board is responsible for approving amendments to this Policy as and when they are required.

### 4.2 Remuneration & Nominations Committee

The Committee is responsible for overseeing risks related to the Company's remuneration programs, including the adoption and review of this Policy.

In addition, the Committee may engage independent remuneration advisors, as it deems appropriate, to provide recommendations on remuneration programs and practices and conduct competitive benchmarking. Such advice must be made free from influence by the key management personnel to whom the recommendations relate.

### 4.3 Human Resources

The Company employs a team of Human Resources Professionals who are responsible for effectively delivering the Company's remuneration strategy as described in section 3.1.

## Appendix A. Document information

NOTE: This is a controlled document. Its accuracy and currency can only be guaranteed when viewed in electronic PDF format obtained directly from the Operational Control Framework document repository.

### 1. Version history

Version	Approved date
1.0	23/05/2012
2.0	26/07/2013
3.0	13/03/2014
4.0	19/05/2015
5.0	27/07/2016

### 2. Reference documents

The following documents have been referenced in the preparation of this policy.

Ref.	Document name	Business owner
1.	Genworth Financial Inc. Remuneration Policy	Genworth Financial Human Resources
2.	Genworth Financial Inc. Privacy Policy (Integrity First)	Genworth Financial Human Resources
3.	Genworth Australia Privacy Policy	General Counsel & Company Secretary
4.	Genworth Australia Credit Reporting Policy	General Counsel & Company Secretary
5.	Genworth Remuneration & Nominations Committee Charter	Genworth Remuneration & Nominations Committee
6.	Genworth Australia Risk Management Framework (RMF)	Chief Risk Officer (CRO)