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# Remuneration Disclosures

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1 Jan to 31 Dec 2025

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AUSTRALIA



# Remuneration Disclosures 2025

## 1 Reporting Entity

Factory Mutual Insurance Company (“**FMIC**”) is a leading commercial property insurance company that forms long term partnerships with its clients to support risk management objectives through a unique combination of engineering, underwriting and claims activities. FMIC is the US parent of various affiliates and subsidiaries, including the Australia Branch, collectively referred to as “**FM**”.

FMIC is committed to the highest possible standards of ethics, probity and accountability, and a culture of compliance.

This remuneration disclosure is made by the Australia Branch of FMIC (**FMIC Australia Branch**) and has been prepared in accordance with Australia Prudential Regulatory Authority’s (**APRA**) remuneration requirements as set out in Prudential Standard CPS511 Remuneration.

This remuneration disclosure relates to the period of 1 January 2025 to 31 December 2025 (**Disclosure Period**).

## 2 Specified Roles

Positions included in specified roles include Executives, Vice Presidents, and Regional Finance & Risk Leaders such as the Australia operations manager and senior managers (e.g. client service manager, engineering manager, chief underwriter, FM Affiliated manager, finance manager, claims manager and sales manager).

## 3 Remuneration Governance

FMIC is a mutual insurance company meaning the policyholders are its owners. The policyholders hold key positions on the FMIC Board of Directors and its committees as non-executive directors.

The Compensation and Organizational Development Committee of the FMIC Board of Directors (**CODC**) assists the FMIC Board in relation to the FM remuneration program and is responsible for ensuring consistent and appropriate remuneration for employees. In 2025, the CODC was comprised of five non-executive directors, (including the Chair), and met in January, April, July, October and December. The CODC reports to the Board of Directors of FMIC following each meeting.

It partners with an independent consultant on matters related to total rewards and evaluates recommendations for total reward programs considering inputs from the independent consultant, management, and industry benchmarking surveys and insights.

The duties and powers of the CODC are as follows:

- 1) Determine the compensation of the chief executive officer and other executive officers of the Company appointed to the executive committee. The CODC approves appointments to and remuneration of these roles and annually approves executive salary range movement and merit budgets, compensation and benefits details, performance objectives and outcomes.
- 2) Review and approve the compensation policies and general levels of compensation for the Company’s remaining senior officers, which includes an annual review of merit increases and incentive awards.
- 3) Provide counsel and feedback to management in the development of compensation and benefit policies, plans and practices for officers and employees, including payments under the Company’s incentive plans. The CODC approves the executive total rewards philosophy, overall incentive design for all employees, including the measures, funding, any changes to these plans, and reviews the summary of awards for all incentive plans.
- 4) Consider whether the Company’s compensation and benefit policies, plans and practices are reasonably designed in coordination with the Company’s risk oversight policies. Partnering with an independent



consultant, the CODC reviews industry trends, approves executive benefit programs, and reviews all employee benefit programs and an independent risk assessment of compensation programs.

In addition to determining and approving executive total rewards, the CODC provides oversight for FM's total rewards programs for both executives and non-executives. It regularly reviews the ongoing compliance and appropriateness of the FM remuneration program to ensure it aligns with strategic and financial goals (including the management of financial and non-financial risks) and remains competitive to attract, retain, and motivate talent.

The FMIC Australia Branch participates in the FM remuneration program and has adopted a local remuneration policy which provides a framework for the implementation, assessment and maintenance of FM remuneration strategy and arrangements in Australia.

The FM remuneration program relevant to the Disclosure Period was approved by the CODC on January 09, 2025.

#### **4 Remuneration strategy, design and structure**

FM strives to build long-term relationships with its clients - key to accomplishing this is our employees.

FM's Total Rewards Philosophy is to attract, inspire and retain a resilient, engaged and diverse workforce. The principles that underpin our approach to Total Rewards are that they should be:

- Competitively positioned
- Performance-oriented
- Inclusive, equitable and holistic
- Supported by relevant and transparent communication
- Underpinned by good governance
- Based on a globally consistent strategy & framework, and reflective of local regulations and market practices.

FM is committed to offering inclusive, equitable and competitive Total Rewards programs that support all aspects of employee well-being and enable employees to contribute to FM's success.

Remuneration is a key part of the budgeting and strategy planning process and incentives are set with the long-term profitability and stability of the company in mind.

The ongoing compliance and appropriateness of the FM remuneration program is reviewed regularly to ensure it aligns with strategic and financial goals—including the management of financial and non-financial risks—and remains competitive to attract, retain, and motivate talent.

FM's various internal control systems are collectively designed to ensure that the structure of the FM remuneration program, including performance-based components, of all covered personnel (including risk and financial control personnel), does not compromise the independence of such personnel in carrying out their functions.

#### **5 Remuneration Policy**

The FMIC Australia Branch Remuneration Policy sets out the structure and objectives of the remuneration arrangements such as:

- the components of remuneration available to employees, including incentive plan arrangements,
- process for reviewing remuneration, including adjustments and amendments; and
- performance measures and approval arrangements.

The FM remuneration program comprises base pay which is subject to annual review, a recognition program, employee benefits, and performance-based incentive arrangements. There is also an allowance for a company car. The base pay, superannuation guarantee, incentives and company car allowance can be 'salary packaged' in accordance with Australian practice.



## Base Pay

FM develops and manages its compensation levels according to the competitive practice of each country in which it operates.

Base pay is structured to ensure employees are paid competitively for the jobs they perform, considering the employee's accountabilities/responsibilities as well as the level of skill, education and experience required for the role.

Base Pay is reviewed as part of annual company-wide processes, which include approval by the Board or relevant FM Executive. Increases are proposed based on the employee's experience, overall contribution, skills and the delegated budget.

## Variable Remuneration

FM offers variable remuneration to eligible employees in the form of short term and long-term incentives.

The objective of variable remuneration is to reward employees for their contribution to FM's Company Key Results Areas and to incentivize performance that results in the sustained success of FM.

The form of incentive an employee is eligible for will depend on the nature of the employee's role and responsibilities, and their ability to influence the performance of FM (or FMIC Australia Branch). Participation in each plan is in accordance with plan documents.

- **Short Term Incentive:** For most employees, the incentive awarded is based on a target opportunity expressed as a percentage of the employee's base pay. Employees in sales are eligible for a sales incentive which is based on revenue growth resulting from acquiring new business consistent with FM's goals and objectives.
- **Long Term incentive:** Executives and some senior managers, in accordance with the plan document, are eligible for long term incentives. The long-term incentives are designed to drive and reward long term growth and sustained value (which includes appropriate risk performance).

No portion of any eligible award is automatic. The granting of any payment under a plan is subject to FM's performance and participant performance.

## Performance measures & individual awards

The CODC establishes, reviews and calibrates the company performance objectives annually. The objectives are based on several factors including profitability, premium retention and new business. For all employees, including those in specified roles, awards are proposed as part of annual company-wide processes (which include approval by the Board or relevant FM Executive) based on company performance and the employee's performance contribution and conduct over the performance period.

Incentive award payments are subject to deferral for executives in affected roles (including the SOoA) in compliance with regulatory requirements, including the Financial Accounting Regime Act 2023 (Cth) (often referred to as the Financial Accountability Regime or FAR).

## Adjustments / amendments to variable remuneration

The CODC may adjust, amend or discontinue the variable remuneration arrangements. This includes adjusting or modifying the company performance measures or targets or other terms and conditions.

No portion of any eligible award is automatic. There are two elements considered in determining an award for a performance period:

- (1) FM's company performance, which is set by the CODC at the beginning of the performance period and reviewed and determined at the end of the performance period by CODC; and
- (2) the individuals work performance, goal achievement and competencies, which is considered at the end of the relevant performance period.

For executives, if FM issues a restatement of its reported financial results, or if it determined that there was executive misconduct in a prior period that impacted the financial results for that period, the CODC will determine whether the restatement was material, and if so, to what extent, if any, payments eligible to be recovered by FM from the executive officer (such as all cash incentives paid to or deferred for performance during



the restated fiscal year(s)) should be returned to FM, to the extent that such payments were overstated as a result of the change in financial condition. Restatements of financial results that are the direct result of changes in accounting standards will not result in recovery of payments.