

This following remuneration disclosure has been prepared by Arch Financial Holdings Australia Pty Ltd ("**AFHA**") and its subsidiaries, Arch Lenders Mortgage Indemnity Limited ("**Arch Indemnity**") and Arch LMI Pty Ltd ("**Arch LMI**") collectively known as "the Level 2 Group" or "Arch", in accordance with the Australian Prudential Regulation Authority's (**APRA**) remuneration disclosure under Prudential Standard CPS 511 Remuneration (**CPS 511**).

OVERVIEW

The key requirements of CPS 511 are that:

- The Board of an APRA-regulated entity is responsible for the remuneration framework and its effective application, consistent with the size, business mix and complexity of the entity;
- An entity must maintain a remuneration framework that, among other matters, promotes effective management of financial and non-financial risks;
- Remuneration outcomes must be commensurate with performance and risk outcomes and subject to adjustment tools as applicable;
- Higher standards must be met for specified roles; and
- An APRA-regulated entity must make clear, comprehensive, meaningful, consistent and comparable public disclosures on its remuneration framework and practices.

Arch, as a non-significant financial institution, is required to make the disclosures outlined in CPS 511 and will continue to make these disclosures annually as required under CPS 511. These disclosures are required to be made on a financial year basis for each full financial year. This disclosure is provided in respect of the financial year 1 January 2024 to 31 December 2024 for Arch.

GOVERNANCE AND REMUNERATION

The Board of Arch ('**Board**') oversees Arch's remuneration practices and framework as required by APRA Prudential Standard 511 Remuneration. It oversees and approves the Remuneration Policy, the remuneration structure and key remuneration decisions for executives, staff and all other persons covered under the Remuneration Framework. It also monitors and approves or otherwise determines, on an annual basis, the remuneration arrangements, variable remuneration outcomes and deferral applications for executives and all other persons covered under the Remuneration Framework].

In the 2024 financial year the Board held four meetings. It operates in accordance with the Board Charter which outlines the Board members roles, responsibilities and terms of

operation. The Board comprises of three Independent Non-Executive Directors and three Non-Executive Directors.

To assist the Board in performing these functions, the Board of Arch has appointed and delegated the Board People Performance and Culture Committee (**'BPPCC'**) to:

- Ensure the effective application of Arch's remuneration framework;
- Advise and make recommendations to the Board in relation to the approval of the remuneration policy, the systems and processes supporting the implementation of remuneration arrangements including assessment and management of performance, conduct and consequences and the remuneration structures and arrangements for each category of persons covered by the remuneration policy;
- Review and make annual recommendations to the Board in relation to corporate goals and objectives relevant to the remuneration of the Chief Executive Officer, Non-Executive Directors, direct reports of the Chief Executive Officer, any Specified Roles as defined under CPS 511 and any other categories of persons specified by APRA, including variable remuneration outcomes where applicable.
- Review and monitor the Remuneration Framework;
- Monitor Arch's deferral arrangements for variable remuneration and the application of variable remuneration adjustment tools.

In the 2024 financial year the BPPCC held three (3) meetings. It operates in accordance with the BPPCC Charter which outlines the committee members roles, responsibilities and terms of operation. The BPPCC comprises of three Independent Non-Executive Directors.

The BPPCC consults with the Board Risk Committee and CRO to enable risk and conduct outcomes to be appropriately reflected in remuneration outcomes.

REMUNERATION FRAMEWORK

Arch's Remuneration Framework as set out in its Remuneration Policy is a core component of Arch's overarching Risk Management Framework (RMF).

Key aspects of Arch's remuneration framework include:

- Setting annual objectives for each employee in respect of their remuneration arrangements, aligning with Arch's business plan, strategic objectives and its RMF. This includes each employee being required to include a risk management objective in their annual objectives, covering the effective management of financial and non-financial risks in support of Arch's long-term sustainability.

- Maintaining a strong risk culture, including the prevention and mitigation of conduct risk, undertaken through Arch's three lines of defence risk management and assurance approach, appropriate staff training and incorporating risk and conduct outcomes within performance management practices.
- In the event of poor risk management outcomes or misconduct, Arch applies an appropriate consequence management approach.
- Governance and reporting of remuneration practices is undertaken by BPPCC with escalation and reporting to the Board to ensure appropriate oversight.

Each of these key features are outlined in further detail below.

REMUNERATION POLICY

Arch's Remuneration Policy applies to all employees of Arch and is designed to:

- articulate the remuneration framework of Arch and how it complies with the requirements in CPS 511, the structure and terms of remuneration arrangements that apply to Arch personnel, and the principles underlying the design and reward of remuneration for Arch personnel;
- outline Arch's approach to identifying and mitigating material conflicts to the objectives of the remuneration framework that may result from third-party service provider compensation arrangements;
- provide guidelines on their application to Arch's remuneration practices;
- outline the functions of the BPPCC and Board in relation to remuneration;
- ensure alignment between remuneration and risk management of financial and non-financial risks;
- explain the systems and processes that support the implementation of Arch's remuneration arrangements; and
- strengthen Arch's governance framework.

This policy is reviewed and approved by the Board of Arch annually, with the last review having been completed in March 2025.

SPECIFIED ROLES

The following employees are identified as Specified Roles in accordance with CPS 511 – Remuneration and the Arch remuneration policy for the 2024 financial year:

- Chief Executive Officer
- Chief Financial Officer
- Chief Underwriting Officer
- Chief Risk Officer

- Director of Product and Digital
- Appointed Actuary

PERFORMANCE MANAGEMENT

Arch management assesses performance of its employees on a quarterly as well as an annual basis. Employee performance is assessed against strategic objectives, the business plan and the effective management of financial and non-financial risks.

Any risk or conduct events are managed through the year, at the time of the event, where consequence management may be applied as a consequence. Based on this ongoing assessment approach, at the year-end, an overall performance rating assessment is provided for each employee, feeding into variable remuneration outcomes.

Arch has built in CPS 511 variable remuneration adjustment mechanisms into its variable remuneration approach, such as ability to apply malus in relation to poor risk outcomes through variable remuneration downwards adjustments.

CONSEQUENCE MANAGEMENT

In the event of a material breach or misconduct, Arch takes a qualitative assessment approach to applying consequence management. This involves considering the specific circumstances of the risk or conduct event, any mitigating circumstances and applying consequences accordingly. This assessment is undertaken by senior management working with the Human Resources team, with required governance and reporting to BPPCC. There were no such consequence management events in 2024.

Arch has established a new Performance and Consequence Management Policy to further improve its practices in respect of consequence management and ensure consistency and fairness of approach. This Policy was approved by BPPCC in March 2025.

VARIABLE REMUNERATION

Arch's Specified Role holders receive executive compensation arrangements in accordance with the approach of Arch Capital Group Limited.

Arch uses a combination of fixed and variable compensation in the executive compensation program. The variable compensation is performance based and consists of short-term annual cash incentive bonuses and long-term incentive share-based awards. The fixed component of the compensation is designed to reflect the significant levels of Arch's executive's experience, duties and scope of responsibility in leading the Company's underwriting and operating activities as well as to assist in executive retention.

Arch's variable remuneration approach is consistent with its risk-management practices ensuring that its compensation programs align executives and employees with the long-term interests of their shareholders. Arch's arrangements seek to reinforce and reward long-term value creation by motivating its executive employees through pay practices based substantially on the overall success of the company.

DEFERRED REMUNERATION

Arch's deferred remuneration requirements for its Specified Role holders are aligned to the mandatory deferral requirements under the Financial Accountability Regime (**FAR**) across the totality of its short- and long-term executive variable remuneration schemes. An annual calculation is undertaken by the specialist remuneration team, working with the Chief Operating Officer of Arch's International Mortgage business, for each of the Specified Role holders and is submitted to the BPPCC to provide confirmation that each calculation complies with the deferral requirements under FAR. There is also individual communication provided to executives in line with this approach.

Each of the short- and long-term variable schemes which Specified Role holders are eligible to participate in provide Arch with the ability to adjust the relevant incentive downwards for either malus or clawback to take account of longer-term performance, including risk performance, should this be required. This would be undertaken by Arch's chair of the Board advising the appropriate senior executive of Arch Group, working with the Human Resources team, of the requirement to make such adjustment in relation to the Specified Role holder in the event of a malus or clawback requirement.