SNOWY HYDRO LIMITED REMUNERATION FRAMEWORK OVERVIEW

Following the Commonwealth's acquisition of 100% of the issued shares in Snowy Hydro Limited (the **Company**), the Company was designated as a Government Business Enterprise (**GBE**) from 1 July 2018.

As required by the *Commonwealth Government Business Enterprise - Governance and Oversight Guidelines* (**GBE Guidelines**), the Company will report on the remuneration packages of the Executive Management of the Company in the FY2019 Annual Report, in a manner that is consistent with the GBE Guidelines. In the meantime, as a matter of good governance, the Company has reported the following overview of the Company's remuneration framework and approach to the Commonwealth.

The Company's executive remuneration framework is designed to attract, motivate and retain high calibre executives with the experience and skills to lead a complex organisation valued in excess of $7 billion. This framework is robust and consistent with contemporary market practice - core to the Company's remuneration strategy is a clear and direct link between pay, and both the organisation and the individual's performance. This is achieved by:

- A remuneration framework which has a fixed component, as well as "at risk" components with short term (**STI**) and long term incentives (**LTI**). These incentives are only paid if agreed performance gates and Board approved stretch Key Performance Indicators (**KPIs**) are met;
- An annual review of the framework by independent advisors, including the specific performance measures under the STI and LTI programs; and
- Benchmarking of the framework against market practice.

As shown in the tables below, the Company positions target total remuneration competitively against comparable organisations in the Australian market. Benchmarking is undertaken annually by independent advisors, and reviewed by the Snowy Hydro Board People and Culture Committee (**BPCC**).

About half of the CEO's remuneration is set 'at risk' to ensure alignment with the Company's strategic objectives. CEO and Executives are only rewarded for delivering performance consistent with the Company's Corporate Plan.

Total Remuneration

This section sets out the total remuneration at target for the CEO, and other current members of Executive Management. An explanation of each component is set out in the following section.

Paul Broad - CEO / Managing Director - Total Remuneration at Target

Year	FAR* $	STI % At Target	STI $ At Target	LTI % At Target	LTI $ Allocation	Total $ (FAR+STI+LTI) At Target
FY18	$994,250	60%**	$596,550	50%	$497,125	$2,087,925
FY17	$994,250	45%	$447,413	35%	$347,988	$1,789,650
FY16	$970,000	26%	$250,000	52%	$500,000	$1,720,000

* Fixed Annual Remuneration (FAR) is base salary plus superannuation benefits at 9.5%.
** Changes in the STI and LTI incentive opportunity percentages over the three years are as a result of the Board's decision in FY17 to more closely align the CEO remuneration mix and target opportunity to current market practice.

It should be noted that the CEO and Executives received increases in FAR of approximately 2.5%, effective 1 July 2018.

Other Executive Management - Total Remuneration at Target - FY18

Name	Title	FAR $*	STI % At Target	STI $ At Target	LTI % At Target	LTI $ Allocation	Total $ (FAR+STI+LT) At Target
Iain Graham	CEO Retail	$615,000	40%	$246,000	30%	$184,500	$1,045,500
Roger Whitby**	Chief Operating Officer	$615,000	40%	$238,960	30%	$179,220	$1,033,179
Gordon Wymer	Chief Commercial Officer	$605,706	20%	$121,141	43%	$260,454	$987,301
Cesilia Kim	Group Executive - Corporate Affairs, Legal, Procurement & Compliance	$474,193	30%	$142,258	23%	$109,064	$725,515
Kim Josling	Chief Financial Officer	$465,120	30%	$139,536	23%	$106,978	$711,633
Gabrielle Curtin	Group Executive - Safety People Community & Services	$512,500	30%	$153,750	23%	$117,875	$784,125
Paul Smyth**	Group Executive - Risk Management Technology & Planning	$368,425	30%	$107,364	23%	$82,313	$558,102

*Fixed Annual Remuneration (FAR) means base salary plus superannuation benefits.
**On defined benefits superannuation plan.

Overview of the Company's Remuneration Framework

Remuneration Benchmarking

The Company aims to position target total remuneration competitively against comparable organisations. Independent advisors directly benchmark executive roles to comparable roles in the Australian market. These market benchmarks are determined by researching disclosed data from relevant Australian listed companies, private companies and GBEs, supplemented by survey data where necessary. Target total remuneration for each executive role is informed by the benchmark data and internal relativities.

Remuneration levels for each Executive is reviewed annually by the BPCC.

Remuneration Mix

A significant portion of executive remuneration is set ‘at risk’ to ensure alignment with the Company’s strategic objectives. Executives are only rewarded for delivering performance consistent with the Company’s Corporate Plan.

The Target STI and LTI opportunity for the CEO is set at 60% and 50% of Fixed Annual Remuneration (**FAR**), respectively. The CEO remuneration mix is illustrated below. It shows FAR being 48% of the total remuneration at target, 28% as the target STI component and 24% as the target LTI component.

As ‘at risk’ remuneration is tied to the achievement of corporate and individual performance objectives, actual remuneration received may vary from at target remuneration set out above from year to year.

Fixed Annual Remuneration

Base salary, superannuation contributions and non-cash benefits comprise an Executive’s FAR. Factors taken into account when setting the appropriate FAR include:

- Market data for comparable roles;
- Complexity of the role;
- Internal relativities;
- An individual’s skills and experience; and
- Individual performance assessments.

Once hired, Executives have no guarantee of FAR increases as per the terms of their employment contracts. The FAR of all Executives is reviewed annually by the BPCC to ensure alignment with market practice.

Short-Term Incentive Program

The Company’s STI program provides all Executives with the opportunity to receive ‘at risk’ remuneration based firstly on meeting the Company’s threshold performance gates, secondly meeting corporate KPIs and thirdly, on meeting individual performance targets. This approach enables the Company to assess and fund the STI program at, below or exceeding target, depending on the achievement of corporate performance outcomes.

The STI program only becomes available when the following two gates have been met:

- The safety gate requires that there be no fatalities to either an employee or embedded contractor across the Snowy Hydro Group in the given year; and
- The financial gate requires the achievement of 90% of Group consolidated EBITDA, which is set in the Corporate Plan and approved by the Board annually in August.

Notwithstanding the STI program rules, the Board has absolute discretion to make the final determination of Executive incentive payouts.

The STI component can be paid at levels in excess of target if the Company delivers superior performance above agreed targets.

LTIs - delivered though the Profit Share Plan

The Profit Share Plan (**PSP**) is the way in which LTIs are delivered across the business. The PSP is the Company's long-term performance-based reward and retention scheme for Executives and a small number of senior managers. The PSP is designed to focus this small group of Executives and senior leaders on long term value creation.

Participation in the plan in any given year is by invitation from the Board. An invitation in one year does not guarantee an invitation in subsequent years.

Under the PSP, participants are eligible to receive a share of the Company profit generated over and above target performance over a three year period. Like the STI, it is payable in the form of cash to participants who are still employed by the entity at the time of vesting. As per the PSP rules, the Board has absolute discretion to adjust or vary the EBITDA outcome as it sees fit.

The LTI component can be paid at levels in excess of target if the Company delivers superior performance above agreed targets.