# CPS 511 Remuneration Disclosure

**Financial year ended 30 June 2025**

Prepared in accordance with APRA Prudential Standard CPS 511 Remuneration – Qualitative Disclosure for non-Significant Financial Institutions

## 1. Overview

This disclosure has been prepared by nib health funds limited (83 000 124 381) ("nib") to meet the requirements of the Australian Prudential Regulation Authority's (APRA) Prudential Standard CPS 511 Remuneration (CPS 511) for the financial year ended 30 June 2025.

CPS 511 sets out public disclosure requirements designed to enhance transparency of remuneration practices across APRA-regulated entities. Within the nib Group, nib is the only APRA-regulated entity and is classified as a non-significant financial institution (non-SFI) for the purposes of the standard.

While CPS 511 applies specifically to nib, the nib Group has chosen to adopt a consistent remuneration framework across all entities. This approach reflects a commitment to strong governance, risk alignment, and cultural consistency, and is considered to deliver greater benefits than maintaining separate frameworks for different entities or employee cohorts.

Accordingly, the principles and requirements of CPS 511 have been applied across the nib Group and all related entities within the nib Group even though they are not individually subject to the standard.

This disclosure also summarises how nib's remuneration framework aligns to the Financial Accountability Regime (FAR) which commenced for insurers on 15 March 2025. nib is a core (non-enhanced) accountable entity under FAR (noting that the enhanced threshold for private health insurers is total assets exceeding $3 billion).

## 2. Remuneration Governance

nib's corporate governance framework provides strong oversight and accountability for remuneration decisions. The Board, supported by its committees and informed by People and Culture and Risk and Compliance functions, plays a central role in overseeing the design, implementation, and outcomes of the remuneration framework. This structure ensures that remuneration practices are aligned with regulatory expectations and the long-term interests of stakeholders.

## 2.1 Board

The Board is responsible for the governance of the nib Group, including the strategic direction and oversight of Management. It ensures nib's remuneration framework and executive reward outcomes are transparent, robust, and aligned with the interests of our members, travelers, participants, employees, shareholders, and broader community expectations.

The Board holds ultimate accountability for the design, governance, and application of the remuneration framework, including approval of variable remuneration outcomes for the Executive Director, Senior Managers and other specified roles. Where appropriate, it may exercise discretion to apply downward adjustments to ensure alignment with risk, conduct, and regulatory expectations. The Board met on twelve occasions during FY25.

## 2.2 People and Remuneration Committee

The Board is supported by the People and Remuneration Committee (PARCO or 'the Committee'), which operates under a formal charter and meets quarterly. PARCO oversees the design, implementation, and governance of nib's remuneration framework, including reviewing remuneration structures, performance frameworks, and key outcomes for the Executive Director, Senior Managers and other specified roles.

The Committee makes recommendations to the Board and maintains a focus on embedding risk accountability in leadership roles and ensuring effective consequence management. It also seeks input from external stakeholders, including independent remuneration advisers, proxy advisers, and major shareholders to ensure our practices align with contemporary market practice and expectations.

## 2.3 Integrating Risk Insights

PARCO has unfettered access to the Risk and Reputation Committee, Audit Committee, Group Chief Risk Officer, Group Chief People Officer, and other relevant internal and external stakeholders. As part of its oversight responsibilities, PARCO conducts a formal assessment of each Executive's risk management performance, with input from the Risk and Reputation Committee and in collaboration with the Audit Committee. These assessments inform remuneration decisions and may result in recommendations to the Board to adjust variable remuneration outcomes for Executives and specified roles, ensuring alignment with risk, conduct, and regulatory expectations.

## 2.4 FAR Governance & Notifications

nib has established internal controls to meet FAR core notifications within 30 calendar days in APRA Connect (appointments, cessations of Accountable Persons, material changes, and relevant breaches). Accountable Persons are registered in line with the regulatory timeframes, and. while enhanced entities must file accountability statements and maps, nib maintains internal accountability documentation to support readiness.

## 3. Specified roles

The types of positions included in specified roles for the purposes of CPS 511 at the Company include:

| Role | Description | nib health funds |
|---|---|---|
| **Executive Director** | A director that is not a non-executive director | Managing Director / Chief Executive Officer (MD/CEO) |
| **Senior Manager** | In relation to private health insurers, means any person specified in paragraph (c) of the definition of officer in the *Private Health Insurance (Prudential Supervision) Act 2015* (Cth) (PHIPS Act). | All relevant nib Group Executives reporting to the MD/CEO |
| **Material Risk-Taker** | A person whose activities have a material potential impact on nib's risk profile, performance, and long-term soundness. | Nil other than those already captured under the Executive Director or Senior Manager categories). |
| **Highly Paid Material Risk-Taker** | A material risk-taker whose total fixed remuneration plus actual variable remuneration is equal to or greater than 1 million AUD in a financial year | |
| **Risk and financial control personnel** | Persons whose primary role is in risk management, compliance, internal audit, financial control, or actuarial control. | Employees working in a risk, compliance, internal audit, financial or actuarial control. |

## 4. Remuneration Approach

At nib, remuneration is designed to support the achievement of strategic objectives, effective risk management, and long-term value creation. It incorporates a mix of fixed and variable components, with performance-based remuneration structured to incentivise both short-term and long-term outcomes.

### 4.1 Remuneration Framework

nib health funds limited has adopted the nib Group remuneration framework, which is designed to align to nib's strategic objectives, business plan and risk management framework and promote the effective management of financial and non-financial risks, sustainable performance, and long-term soundness. nib recognises that the remuneration framework is a key control in the prevention and mitigation of conduct risk.

Our approach is underpinned by the following principles that guide the design and operation of the framework:

**Simple and transparent**
Easy for our employees and stakeholders to understand

**Aligned to customer and shareholder interests**
Rewards delivery of exceptional outcomes for our members, travellers, participants, and shareholders.

**Market competitive**
A competitive, total rewards offering to attract and retain the best people

**Rewards sustainable performance**
A balanced approach that measures and rewards financial and non-financial performance outcomes

**Fair and equitable**
Ensures equitable outcomes in line with our Diversity, Equity & Inclusion commitments.

**Promotes accountability, effective risk management and employee conduct**
A holistic view of performance that considers both 'what' was achieved and 'how' it was achieved.

## 4.2 Remuneration Structure

The framework provides Executives and employees with a mix of fixed and variable remuneration to incentivise the achievement of Group and individual performance objectives.

| Overview | Annual Fixed Remuneration | Annual Short-Term Incentive (STI) | Long-Term Incentive (LTI) |
|---|---|---|---|
| **Rationale** | Provides executives and employees with market competitive remuneration to attract and retain talent. | Reward executives and employees for achievement against pre-determined financial and non-financial performance measures. | Rewards executives for creating sustainable, long-term shareholder value. |
| **Structure** | Base salary and superannuation, plus insurance cover. | **Executives**[1]<br>- 50% paid in cash<br>- 25% deferred into shares with 1-year restriction.<br>- 25% deferred into shares with 2-year restriction.<br>**Employees**<br>- 100% cash. | Performance rights convert to shares with no dividend equivalent payments. Vesting is subject to performance over a four-yearperiod, with 50% of the award held in escrow for a further 2 years. |
| **Material Breach** | | Subject to in-year adjustments, malus and clawback. | Subject to malus and clawback. |
| **Application across specified roles** | All specified roles | Executive Director & Senior Manager aligned to Executive structure.<br><br>Risk and financial control personnel aligned to Employee structure. | Executive Director and Senior Managers. |

## 4.3 Alignment of Variable Remuneration and Performance

Variable remuneration at nib is designed to ensure strong alignment between reward and performance. A significant portion of total remuneration is performance-based or “at risk,” assessed using a combination of financial and non-financial measures across multiple timeframes. Through the use of scorecards, performance hurdles, and deferral mechanisms, outcomes are linked to decision-making, aligned with nib’s values and culture, and support sustainable performance and long-term shareholder value creation.

Annual STI outcomes are determined through a balanced assessment of both Group and individual performance:

- **Group Scorecard**: Comprising a mix of financial and non-financial measures, the Group Scorecard reflects areas where shared accountability and cross-functional collaboration are critical to success. It acts as a performance multiplier in the calculation of STI outcomes for all nib Group employees, including Executive KMP.

- **Individual Scorecards**: Tailored to each executive’s role, these scorecards include financial and non-financial measures aligned to their specific scope of accountability and influence. Each scorecard includes a component weighted to ‘strategy delivery’ goals, designed to incentivise and reward progress against key milestones and initiatives that contribute to the achievement of the Group’s strategic plan.

LTI arrangements are designed to align executive remuneration with sustainable performance and long-term shareholder value creation. The LTI complements short-term performance objectives by focusing on the achievement of predetermined Total Shareholder Return (TSR) and Earnings Per Security (EPS) performance hurdles over a four-year period.

[1] From FY26 the share component will be deferred as follows: 20% deferred for 1 year, 20% deferred for 2 years and 10% deferred for 3 years.

## 4.4 Promoting Effective Risk Management, Sustainable Performance, and Long-Term Soundness

nib's remuneration policy is designed to promote prudent risk-taking, reinforce a strong risk culture, and safeguard long-term financial soundness. Through the integration of non-financial measures, deferral of incentives, and Board discretion, the framework aligns executive rewards with sustainable performance and shareholder value. This is achieved through the following mechanisms:

- Embedding non-financial measures in the Group Scorecard, which influences the size of the STI pool and individual STI outcomes via the Group Multiplier, reinforcing a balanced approach to performance assessment;
- Reinforcing risk culture by including a risk-related objective in every employee's annual performance goals, ensuring individual accountability for risk management across all levels of the organisation;
- Delivering STI awards to Executives in a combination of cash and deferred equity, aligning short-term performance outcomes with longer-term shareholder interests;
- Focusing on long-term value creation through Executive participation in a four-year LTI plan, with awards subject to a two-year holding period post-performance, ensuring alignment with sustained performance and shareholder value;
- Providing the Board with discretion to reduce or withhold variable remuneration where risk management expectations are not met, supporting a culture of accountability and consequence management;
- Conducting regular reviews of the remuneration framework to ensure ongoing compliance with CPS 511 and other relevant regulatory requirements, and to maintain alignment with evolving governance and risk management expectations; and
- nib will meet FAR deferred remuneration obligations for Accountable Persons by deferring at least 40% of variable remuneration for a minimum of four years, and taking reasonable steps to ensure each Significant Related Entity (SRE) applies equivalent obligations. These FAR requirements apply irrespective of SFI status.

## 4.5 Consequence Management

nib applies a structured consequence management framework to ensure remuneration outcomes reflect individual accountability for risk, conduct and compliance. A differentiated consequence management approach is applied based on role classification.

Risk and financial control personnel are captured in the Employee process, which includes structured STI adjustments infirmed by the Risk & Conduct Matrix.

Executive Director and Senior Managers are subject to the Executive consequence management process which incorporates malus and clawback provisions across both STI and LTI arrangements.

In addition to malus/clawback, FAR requires reduction of an Accountable Person's variable remuneration where accountability obligations are not met.

## Employees

Where an employee has been involved in a risk or conduct event during the annual review period, a downward adjustment to the employee's STI outcome may be considered. A risk or conduct event may include (but is not limited to):

- A breach of nib's policies, procedures, code of conduct or regulatory requirements.
- Inappropriate behaviour or misconduct.
- Any event resulting in adverse impact to nib, our members, travellers, participants, employees, or other stakeholders.
- Failing to report or escalate a risk event or incident, including health and safety hazards, incidents or near misses.
- Failure to appropriately discharge duties.; or
- Where a downward adjustment is required by regulatory obligations including:
  - misconduct leading to significant adverse outcomes;
  - a significant failure of financial or non-financial risk management;
  - a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
  - a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and
  - significant adverse outcomes for customers, beneficiaries or counterparties.

To determine whether an adjustment should be applied, leaders assess the impact of the event(s) and the employee's level of accountability using the Risk & Conduct Matrix. This assessment informs the appropriate adjustment to the individual's STI outcome, ensuring it is proportionate to the severity of the risk or conduct event.

## Executives

All performance-based incentives (STI and LTI) for Executives include malus and clawback provisions. If, in the opinion of the Board, an Executive:

- engages in dishonesty, fraud, serious misconduct, or negligence;
- is convicted of a criminal offence impacting their role or reputation;
- breaches contractual obligations such as confidentiality or non-compete clauses; or
- fails to take reasonable steps to prevent or escalate issues that may harm nib's reputation or operations.

Additionally, if the Board becomes aware of a material financial misstatement, misconduct causing significant harm, major failures in risk management or compliance, adverse customer outcomes, or errors used to determine variable remuneration—or any other relevant event under the plan rules—it may, at its absolute discretion:

- require the Executive to repay any short- or long-term incentive received; or
- apply an in-period adjustment, forfeit, or cancel any short- or long-term award (vested or unvested).

When determining variable remuneration outcomes for each Executive, including STI and LTI awards, the Board ensures that any governance, risk, conduct, reputational, or audit-related matters are considered in the final quantum of payments.

To support this, a formal risk and conduct modifier is incorporated into the STI Plan design. The Committee assesses each Executive's risk performance with input from nib's Risk and Reputation Committee, the Group Chief Risk Officer, and in collaboration with the Audit Committee, to determine any necessary adjustments to remuneration outcomes. The Board also retains discretion to adjust variable remuneration downwards to protect the financial and reputational soundness of the Group.

## 5. Publication

This disclosure is published on nib holdings limited's website (**www.nib.com.au**) in accordance with CPS 511 requirements.