Prudential Disclosures – CPS 511 Remuneration
Cessnock District Health Benefits Fund (Hunter Health Insurance) 1 July 2025 – 30 June 2026

1. Introduction

These remuneration disclosures have been prepared in line with APRA Prudential Standard CPS 511 *Remuneration* (CPS 511). CPS 511 requires that all non-SFIs (as defined in the standard) meet the minimum requirements for public disclosure of qualitative information concerning their remuneration practices

2. Board Oversight and Discretion

The Board is ultimately responsible for remuneration governance and has established the People & Culture Committee which oversees HHI's remuneration settings.

HHI's remuneration structure does not include variable remuneration components as a matter of course, however these may be considered by the Board from time-to-time.

The People & Culture Committee will consult the Board Risk Committee and Chief Risk Officer to enable risk outcomes to be appropriately reflected in remuneration outcomes for persons in specified roles where there is any proposal to introduce variable remuneration. These proposals remain subject to final approval by the Board.

Where variable remuneration is applied, the Board may adjust these components downwards to zero if such adjustments are necessary to:

- Protect the long-term soundness of the Fund; or
- Respond to significant unexpected to unintended consequences that were not foreseen by the People & Culture Committee.

See also section 5 *Variable Remuneration* below.

The People & Culture Committee:

- ordinarily meets a minimum of twice per year;
- comprises all Non-executive Directors (NEDs);
- operates in accordance with its Charter, which is reviewed at least every two years;
- seeks to ensure that HHI's remuneration frameworks continue to support HHI's overall risk management framework (RMF); and
- reviews the Remuneration Policy on at least an annual basis, and more frequently as required to respond to evolving regulatory, business and legislative conditions.

For the purposes of CPS 511 HHI includes the roles of Chief Executive Officer, Executive Directors (of which HHI does not currently employ any) and the Chief Risk Officer (who is not currently direct-employed but is alternatively engaged under a service contract through an independent entity) as being a "specified role".

3. Alignment with Strategy, Sustainable Performance and Risk

HHI's Remuneration Policy seeks to address Financial Risks by not promoting risk-taking that exceeds financial risk tolerance limits or threatens HHI's ability to maintain an adequate capital base; to address Non-Financial Risks through mitigating key operational, compliance, conduct and reputational risks which could occur where remuneration outcomes do not incentivise appropriate behaviours; and to address Conflicts of Interest by maintaining the integrity and impartiality of decision- making processes.

HHI's remuneration framework specifically addresses the requirements of para 74 of CPS 511 in the following manner:

Requirement	Detail
Aligns with the entity's business plan, strategic objectives and risk management framework.	HHI's Remuneration Framework: • Is subject to annual review by the People & Culture Committee and Board.

	• Is subject to periodic assessment against the requirements of CPS 511 at least annually. The results of this assessment are tabled to the People & Culture Committee. • Is subject to a comprehensive review by operationally independent, appropriately experienced and competent persons at least every three years.
Promotes effective management of both financial and non-financial risks, sustainable performance and the entity's long-term soundness.	HHI's Remuneration Framework: • Does not contain a standing arrangement in relation to variable remuneration (fixed remuneration approach). • Allows for reduction to zero of variable remuneration can occur to protect the Fund's long-term soundness. • Precludes payment of performance-based incentives to risk and financial control personnel.
Supports the prevention and mitigation of conduct risk.	HHI's Remuneration Framework: • Does not contain a standing arrangement in relation to variable remuneration (fixed remuneration approach). • Allows for reduction to zero of variable remuneration can occur in response to misconduct.

4. Remuneration Structure

As a mutual (not-for-profit) fund, HHI does not provide equity-related benefits. Remuneration for all employees (including the CEO and senior managers) is limited to a base salary and entitlements (such as superannuation, leave loadings, and may include discounted health insurance etc.).

Fixed Reward	
Delivery	Cash
Performance criteria	Satisfactory performance against role requirements as set out the in the relevant position description, compliance with the terms and conditions of employment, conduct in accordance with the HHI Code of Conduct.
Risk	Effective identification and management of risk, including specific risk and compliance responsibilities as set out in the relevant position description.

Remuneration structures for risk and financial control personnel (as defined in CPS 511) are designed to ensure that their independence is not compromised. Performance objectives for risk and financial control personnel are not linked to the financial performance of the business unit(s) they oversee.

The Chief Risk Officer, Appointed Actuary, Appointed Auditor, Internal Auditor and finance support team are on service contracts which do not include performance-based incentives.

5. Variable Remuneration

HHI's remuneration structure does not include variable remuneration components as a matter of course, however these may be considered by the Board from time-to-time.

Where variable remuneration is applied, the Board may adjust these components downwards to zero if such adjustments are necessary to:

- Protect the long-term soundness of the Fund; or
- Respond to significant unexpected to unintended consequences that were not foreseen by the Fund's People & Culture Committee.

Adjustment to zero will occur in any instance of:

- 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
- significant adverse outcomes for customers, beneficiaries or counterparties

Should variable remuneration be applied, this will remain at all times less than AUD $50,000 in a financial year. Any consideration of variable remuneration greater than this value is recognised as subject to the deferral and clawback requirements set out in CPS 511.
