

Remuneration Arrangements Disclosure

Prudential Standard CPS 511

Table 1

For the year ended 30 June 2026



Introduction

The purpose of Prudential Standard CPS 511 Remuneration (the Standard) is to strengthen remuneration practices and compensation arrangements that prudently manage risk, promote long-term soundness, and align incentives with sustainable performance. Our remuneration disclosure has been prepared in accordance with the requirements of the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 511 – Remuneration.

This document sets out information about the remuneration framework at HESTA in the form of responses to the specific areas as specified by Table 1 of the Standard.

In addition to Table 1, the following publications required by the Standard have been disclosed separately on the HESTA website in a machine-readable format:

- Table 2 Remuneration outcomes for the financial year
- Table 3 Special payments
- Table 4 Deferred and adjusted variable remuneration

These disclosures can be read in conjunction with the Remuneration Report presented in the HESTA Annual Financial Report FY26.

Remuneration framework

Governance of the remuneration framework

- 1) Name, composition and mandate of the main bodies overseeing remuneration.

Name:

Governance, People and Remuneration Committee (GPRC)

Composition:

- Emeline Gaske – Chair, GPRC; Deputy Chair, HESTA
- Kate Marshall – Member, GPRC; Director, HESTA
- Michael Brydon – Member, GPRC; Director, HESTA
- Nicola Roxon – Independent Chair, HESTA
- Robert Bonner – Member, GPRC; Director, HESTA
- Trevor Brown – Member, GPRC; Director, HESTA

Mandate:

- The GPRC is responsible for overseeing the governance framework including the design, operation and monitoring of the Remuneration Framework and the Remuneration Policy. The GPRC Terms of Reference appear on Page 27 of our Governance disclosures, which can be [downloaded](#) or accessed on the HESTA website (About us > Leadership Team > HESTA Board).

- 2) Number of meetings held by the main bodies overseeing remuneration during the financial year.

Number of meetings held: 5

(August 2025, September 2025, February 2026, March 2026 and May 2026)

- 3) An overview of reviews of the remuneration framework performed during the financial year, including any consequential changes, the reasons for those changes and the intended impact on remuneration outcomes.

In accordance with the Standard, HESTA must review compliance of the remuneration framework at least annually. The review confirmed that HESTA's remuneration framework is compliant. No changes to the framework were made.

- 4) A description of how the Board:
 - (i) oversees remuneration policies;
 - (ii) oversees the input provided by:
 - the Board Risk Committee or other Board committees; and
 - the risk function, including the Chief Risk Officer; and
 - (iii) exercises its discretion in determining remuneration outcomes, including remuneration outcomes for variable remuneration awarded in prior financial years.

HESTA's remuneration framework is reviewed annually and presented to the Board for approval in May. The framework is made up of a remuneration philosophy, policy and incentive plan which details governance responsibilities for (including but not limited to) the:

- Chief Executive Officer (CEO)
- Chief Investment Officer (CIO)
- Investment Committee Chair (ICC)
- Governance, People and Remuneration Committee (GPRC)
- Head of People and Culture (HoPC)
- Chief Risk Officer (CRO)
- Chief Financial Officer (CFO)

The Board exercises its discretion in determining fixed remuneration outcomes at the May meeting of the GPRC and variable remuneration outcomes in July/August GPRC each year. Information from the review of consequence management matters by the HoPC and CRO feed into the Board's discussion when determining remuneration outcomes. Moreover, the CEO and ICC meet to align on the CIO's end of year performance review outcome.

Additionally, the Board oversees the inputs through biannual remuneration reports, provided to the Board which details HESTA's progress in delivering on its remuneration policy and the framework more broadly.

- 5) A description of external consultants whose advice has been sought on remuneration, the body by which they were commissioned and in what areas of the remuneration framework.

No external consultants were commissioned in FY26.

Remuneration Framework

- 6) An overview of the key features and objectives of the remuneration framework, including how it:
 - (i) aligns to the APRA-regulated entity's business plan, strategic objectives and risk management framework;
 - (ii) promotes effective management of both financial and non-financial risks, sustainable performance and long-term soundness;
 - (iii) supports the prevention and mitigation of conduct risk; and
 - (iv) for an RSE licensee, promotes the RSE licensee performing its duties and exercising powers in the best financial interests of beneficiaries.

HESTA's remuneration framework is made up of a philosophy, policy and incentive plan and is activated via HESTA's:

- Performance & Development Cycle
- Fixed Remuneration Review Cycle
- Variable Remuneration Cycle
- Consequence Management Process
- Reward & Recognition Program

More specifically, HESTA's remuneration framework is designed to ensure that compensation practices support the long-term success and soundness of the fund, while aligning with regulatory expectations and member interests. Key features and objectives of the framework include:

(i) Alignment with business plan, strategic objectives, and risk management framework:

The remuneration framework is directly linked to the business plan and strategic objectives, ensuring that individual and collective performance contributes to HESTA's long-term goals. Remuneration outcomes are also aligned with the risk management framework, so that employees are rewarded not only for achieving financial targets, but also for demonstrating appropriate behaviours and compliance with internal controls. HESTA's annual performance and development cycle ensures alignment with business plan, strategic objectives, and risk management framework through setting connected organisational goals, team goals and individual goals, and evaluates performance looking at **what's** been delivered and **how** it's been delivered.

(ii) Promotion of effective management of financial and non-financial risks, sustainable performance, and long-term soundness:

The framework incorporates both financial and non-financial performance measures, including risk-adjusted metrics, to encourage prudent risk-taking and sustainable business practices. Variable remuneration is subject to deferral, clawback, and malus provisions, which further reinforce a focus on long-term performance and the ongoing stability of HESTA.

(iii) Support for the prevention and mitigation of conduct risk:

HESTA's remuneration framework and supporting policies are structured to discourage inappropriate risk-taking and misconduct. This is achieved by including behavioural and conduct criteria in performance assessments, and by providing clear consequences for breaches of conduct standards per HESTA's Code of Conduct. Regular reviews of remuneration outcomes help ensure that conduct risk is effectively managed and mitigated.

(iv) Promotion of duties and powers in the best financial interests of beneficiaries:

The remuneration framework is designed to prioritise the best financial interests of members. Performance measures and incentive structures are tailored to ensure that decision-making and actions taken are aligned with the interests of members, and that any potential conflicts of interest are appropriately managed.

Overall, the remuneration framework is intended to foster a culture of accountability, integrity, and prudent risk management, thereby supporting the long-term resilience and success of HESTA and, where applicable, delivering optimal outcomes for members.

- 7) A description of the scope of the APRA-regulated entity's remuneration policy (such as by regions or business lines), including the extent to which it is applied to foreign subsidiaries and branches (if applicable).

The scope of HESTA's remuneration policy is Australia only.

- 8) A description of the types of positions included in specified roles as defined in paragraph 20(v) of this Prudential Standard.

CEO

- Chief Executive Officer

Senior Managers

- Executive Team

Material Risk Takers

- Investment Management Heads of (IMHo)

Risk and financial control personnel

- Risk Business Team (All)
 - o General Manager Regulatory Engagement
 - o General Manager Investment Risk
 - o General Manager Enterprise Risk
 - o General Manager Risk Strategy and Oversight
- Commercial and People Business Team (Finance, Tax & Compliance only)
 - o General Manager Taxation
 - o General Manager Finance & Procurement
 - o General Counsel and Head of Compliance
- Operations Business Team (Information Security only).
 - o General Manager Information Security

- 9) A description of how the APRA-regulated entity aligns remuneration outcomes with performance. This must include:
- (i) an overview of the main financial and non-financial performance measures for the entity, key business lines, the CEO and other specified roles on a cohort basis;
 - (ii) a description of how material weight is applied to non-financial measures in the determination of performance related variable remuneration, including the proportion (level or range) of variable remuneration that would be impacted by non-financial measures, where this is possible to define; and
 - (iii) a discussion of how a person's remuneration is linked to entity-wide and individual performance.

HESTA aligns remuneration outcomes with performance by implementing an enterprise-wide structured framework (applicable to all employees) that incorporates performance measures (Organisational, Team and Individual Goals), ensuring that remuneration outcomes support prudent risk management and long-term value creation.

Overview of performance measures

HESTA's FY26 organisational goals were:

- 1) **Member centric powerhouse** - We'll leverage our foundations to deliver greater member value by focusing on member experience, driving performance with impact and becoming the fund of choice.
- 2) **Enhancing and strengthening our culture for the future** - We'll strengthen our values-driven culture by embedding our values and leadership expectations and building practices that support learning, performance and long-term value for our members.
- 3) **Operational Optimisation** - We will adopt a disciplined approach to optimising HESTA's operations, innovating to improve efficiency, advancing process and system maturity and delivering strong financial outcomes for members.

Moreover, below is a list of key performance indicators (KPIs) included in the FY26 incentive scorecards which focus on measurable outcomes to drive value for members and employees:

- 3 year annualised balanced growth return relative to medium term CPI target
- 3 years relative balanced growth positioning in SuperRating SR50 Balanced Index
- Balanced growth performance relative to the Your Future Your Super benchmark over rolling 10 year periods
- Percentage of other investment options that achieve objectives
- Reduction of investment management fees
- Leadership

Application of material weight to non-financial measures

Non-financial measures are given material weight in the determination of variable remuneration with 40% of the performance scorecard weighted to Leadership KPIs. This is reviewed by the Governance, People and Remuneration Committee on an annual basis to ensure alignment with external factors and driving the best outcomes for members.

Linkage of remuneration to entity-wide and individual performance

Remuneration outcomes are determined through a scorecard approach that links both fund-wide and individual performance. A portion of variable remuneration is based on the overall performance of the fund, ensuring alignment with member interests. The remaining portion is tied to team and individual achievements against pre-agreed objectives. This approach ensures that incentive eligible employees are rewarded not only for their personal contribution but also for their role in supporting the overall success and soundness of the fund. The annual performance and development cycle, and consequence management process requires HESTA to assess whether malus or clawback provisions is triggered and should be enacted.

10) Where no variable remuneration is offered (excluding one-off payments), a description of the method used to ensure risk management outcomes are assessed and consequence management applied in the event of a material breach or misconduct.

HESTA ensures that risk management outcomes are assessed, and consequence management is applied in the event of a material breach or misconduct through robust performance management and disciplinary frameworks. The method HESTA adopts is set out below.

Risk management outcomes are monitored continuously through established risk, compliance, and audit processes including key risk indicator reporting and action planning, and HESTA's annual performance and development cycle (outlined in Section 9 above). In the event of a material breach or misconduct occurrence, HESTA undertakes a thorough investigation in accordance with its internal policies and procedures. The assessment considers the nature and severity of the breach, the individual's level of accountability, and any mitigating factors.

Consequences for material breaches or misconduct include formal warnings, impact on fixed pay progression (such as withholding salary increases or promotions), reassignment of duties, demotion, or termination of employment. These outcomes are determined by the severity of the incident and are designed to reinforce a strong risk culture and accountability, even in the absence of variable remuneration.

HESTA also ensures that lessons learned from such incidents are communicated appropriately, and, where relevant, control frameworks are strengthened to prevent recurrence. This approach upholds prudent risk management and aligns individual behaviour with HESTA's values and regulatory expectations.

11) A description of variable remuneration of risk and financial control personnel for the financial year covering:

- (i) remuneration arrangements, including how variable remuneration arrangements reflect their independence, authority and the purpose of their functions, and are not unduly influenced by the performance of the business activities they control;
- (ii) the remuneration outcomes, including variable remuneration outcomes as a proportion (level or range) of fixed remuneration and the nature and proportion of any adjustments made to reflect risk performance; and
- (iii) any special payments made.

Not applicable – no variable remuneration for risk and financial control.

Design of variable remuneration plans

- 12) For the variable remuneration plans applicable to specified roles, a description of the plan design, including:
- (i) forms of remuneration offered;
 - (ii) the persons eligible to participate in the plan, as a percentage of their respective cohort of specified role;
 - (iii) how it is aligned with the business strategy and effective risk management;
 - (iv) how cohort and individual outcomes are determined, including how material weight is given to non-financial measures;
 - (v) if the mix of variable remuneration differs across persons within a specified role cohort, a description of the factors that determine the mix and their relative importance;
 - (vi) how the variable remuneration pool (if any) is determined, including performance and risk measures used;
 - (vii) deferral periods and vesting schedules; and
 - (viii) any adjustment measures that may differ from Table 1, row 13.

For variable remuneration plans applicable to the specified roles (as outlined in Section 8), the HESTA Remuneration Framework is designed to support the fund's strategic objectives, promote effective risk management, and align the interests of members and employees. The plan design is described as follows:

Forms of remuneration offered

Variable remuneration is offered in the form of an annual incentive, which is delivered as a cash payment. For the CIO and IMHo, a portion of the incentive is subject to deferral, and delivered as deferred cash, subject to vesting conditions.

Persons eligible to participate

Eligible participants in the incentive plan are in HESTA's Investment Management team only, more specifically the CIO, Heads of, General Managers and Managers. Majority of individuals within HESTA's specified role cohorts (as outlined in Section 8) are not eligible to participate in the plan.

Alignment with business strategy and effective risk management

The incentive plan is structured to reinforce HESTA's business strategy, which focuses on delivering strong, sustainable outcomes for members. Performance measures are selected to reflect both the achievement of key strategic priorities and the effective management of risk. The plan incorporates financial metrics (including investment performance) and non-financial metrics (leadership key performance indicators). Risk adjustment mechanisms, including malus and clawback provisions, seek to align remuneration outcomes with prudent risk-taking and long-term member interests.

Determination of cohort and individual outcomes, including weighting of non-financial measures

Remuneration outcomes are determined using a scorecard, which combines fund-wide, team, and individual performance. 40% of variable remuneration is linked to non-financial measures (leadership and culture).

Differences in remuneration mix within cohorts

The mix of variable remuneration differs, based on factors such as role seniority, level of accountability, and impact. For example, executives (CIO) or those with higher risk influence (IMHo)

have a greater proportion of their total remuneration “at risk” and subject to deferral, reflecting their greater responsibility for strategic and risk outcomes. These factors are determined by the Board (via the review and approval of HESTA’s remuneration framework) and are annually reviewed to ensure alignment with regulatory expectations and market practices.

Determination of the variable remuneration pool

The overall pool for variable remuneration is determined annually by the Board. The pool may be adjusted downwards in response to adverse risk or conduct outcomes, or to reflect changes in the external operating environment. The Board retains discretion to ensure outcomes are appropriate.

Deferral periods and vesting schedules

For executives (CIO) and material risk-takers (IMHo), a portion of variable remuneration is subject to deferral over a period of 2-5 years. These deferral periods and vesting arrangements are designed in accordance with APRA’s CPS 511 requirements, to support long-term alignment with member interests and to provide for adjustment in the event of subsequent risk or compliance issues.

Deferrals and adjustments

- 13) A description of the ways in which the APRA-regulated entity defers and adjusts variable remuneration to take account of longer-term performance, including risk performance. This must include:
- (i) an overview of the processes and tools for adjusting variable remuneration, including criteria and triggers for each tool; and
 - (ii) an overview of the policy for deferral and vesting of variable remuneration.

HESTA maintains a robust framework for the deferral and adjustment of variable remuneration to align employee incentives with long-term performance and prudent risk outcomes. This framework supports sound risk management and promotes sustainable value creation.

Overview of processes and tools for adjusting variable remuneration

HESTA applies multiple tools to adjust variable remuneration to reflect risk and long-term performance. These tools include:

- **Gateways**

Variable remuneration is subject to performance gateways at both individual and enterprise levels. If gateways are not met, variable remuneration may be reduced or withheld entirely.

- **Malus and clawback provisions**

HESTA has malus (ex-ante) and clawback (ex-post) provisions that enable the reduction or recovery of variable remuneration in certain situations, such as:

- o Material misstatement of financial results
- o Serious misconduct or negligence
- o Significant risk or compliance failures
- o Failure of a business unit or the entity to meet risk-adjusted performance metrics

- **Risk adjustment assessment**

Prior to awarding variable remuneration, a risk assessment is conducted by the Head of People & Culture and Chief Risk Officer. Individuals may have their variable remuneration adjusted based on the outcome.

- **Triggers for adjustment**

Adjustments may be triggered by:

- o Breach of policies or regulatory requirements
- o Negative audit or compliance findings
- o Adverse member outcomes
- o Exceeding risk appetite thresholds

Overview of policy for deferral and vesting of variable remuneration

HESTA's deferral and vesting policy is designed to ensure alignment between remuneration outcomes and longer-term performance, including risk-adjusted results.

- **Deferral structure**

For the CIO and IMHo (senior manager and material risk-takers):

- o A portion (40%) of variable remuneration is deferred over a period of 2 to 5 years.
- o The deferral amount is subject to malus provisions during the deferral period.

Vesting schedule

Deferred remuneration vests progressively, typically on an annual pro-rata basis, contingent on the absence of malus triggers.

Instruments

Deferred remuneration is delivered in cash only. Details of deferred remuneration for the CIO can be found in the Director's Report disclosed on HESTA's website.

Review and oversight

All variable remuneration decisions, including deferrals and adjustments, are subject to review and oversight by the Governance, People and Remuneration Committee to ensure they are consistent with HESTA's remuneration framework and risk management framework, and APRA Prudential Standard CPS 511.

Reference

<https://www.apra.gov.au/sites/default/files/2023-08/Final%20Prudential%20Standard%20CPS%20511%20Remuneration%20-%20clean.pdf>