

Remuneration Policy

July 2025

Issued by: People & Culture

Material Sub-Risk: Remuneration



Super
with
impact

Remuneration Policy

1. Introduction

HESTA is a high performing fund which expects to be a top performer and leader in all aspects of its work on behalf of members.

The Trustee of HESTA has set a strategic long-term focus and aligns its purpose with its members' best financial interests. A significant means of achieving this objective is ensuring the Trustee is able to hire and retain high quality employees and Board members who share the values of the organisation. HESTA believes purposeful, highly motivated and appropriately remunerated employees will deliver the best outcomes for HESTA members.

The Governance and Remuneration Committee has line of sight across all employee remuneration structures. The specific responsibilities of the Committee are contained in the Terms of Reference.

2. Directors' Remuneration

HESTA Directors are remunerated for their work, having regard to their specific responsibilities and the nature and objectives of the Fund.

Directors are paid a base fee and committee fees on a quarterly basis. The committee fee varies dependent on whether a Director is a member or Chair of a Committee. The Independent Chair and Chair of the Investment Committee are paid a set fee on a fortnightly basis.

The base amounts for the Independent Chair, Independent Investment Committee Chair, Deputy Chair and the Directors will increase annually in accordance with Average Weekly Ordinary Times Earnings (AWOTE) - Full-time adult total earnings and the dollar amount rounded up to the nearest multiple of 5. For the avoidance of doubt, annual AWOTE increases will not apply to the base amounts for the Audit Committee Chair, Governance and Remuneration Chair and Committee Members. The process for the review of Directors remuneration is outlined in section 3 of this Remuneration Policy.

3. Directors' Remuneration Reviews

Annual remuneration increases for Directors that exceeds the AWOTE rate of change as published by the Australian Bureau of Statistics at the relevant time, must be approved by the Trustee's Guarantors at the Annual General Meeting ("AGM"), in accordance with the Trustee's Constitution.

The Board reviews the remuneration of its Directors every two years to ensure Directors are appropriately remunerated, considering the commitments required of the role and relevant industry benchmarking, and aligning the approach with the broad principles of HESTA's remuneration philosophy. When undertaking this review, the Board may also consider any other relevant factors such as changes in time commitments and workload required of its Directors, and will consider the appropriate total quantum of Board remuneration as well as the individual remuneration of Directors.

4. Individual Employment Contracts

Select cohorts of employees are engaged under individual employment contracts, where remuneration levels are in excess of the levels covered under the Enterprise Agreement. These include (but are not limited to):

- CEO
- Company Secretary
- Executives
- Heads of
- General Managers
- Investment and Portfolio Managers
- Other specialist roles where the levels of appropriate remuneration are in excess of the levels covered under the Enterprise Agreement.

The employment terms and benefits for these employees are prescribed in their employment contracts unless otherwise stipulated.

Employees engaged under individual contracts have their remuneration assessed on a biennial cycle as detailed in the remuneration philosophy.

The remuneration increases for these employees take effect from the first pay period in July each year.

5. Enterprise Agreement

All other employees are employed under terms and conditions outlined in an Enterprise Agreement. The Enterprise Agreement is negotiated by Management with the Finance Sector Union (FSU) and other appointed bargaining representatives consistent with the Fair Work Act. The duration of the Agreement is determined as part of the negotiations. The majority of employee remuneration benefits are covered in the Enterprise Agreement. When setting salary increases and making changes to employment benefits under the Enterprise Agreement, consideration is given to benchmarking of employee remuneration and reward within the financial services sector.

6. Risk, Finance and Audit

The Trustee is committed to ensuring the independence of its risk, finance and audit functions is maintained and not compromised by any remuneration it pays to these functions. Employees in the Risk, Finance and Corporate Services (including Compliance) teams within the Trustee Office are remunerated and employed on terms that are no different to other Trustee employees.

The Trustee outsources its internal audit function to external service providers. The providers of internal audit services are engaged on standard commercial and arm's length terms. Fees for these services are paid in accordance with formally executed engagement terms, ensuring full transparency.

7. Assessing Performance

All employees undertake an annual performance review with their leader.

The CEO is assessed annually by the Executive Committee with input from the Board.

The Executives are assessed annually by the CEO, with input from the Executive Committee. Each Executive's performance is assessed against the organisational framework developed in the performance management system against their position responsibilities and Key Performance Indicators. The CEO discusses these assessments with the Executive Committee.

Directors are assessed on performance as part of the annual Board Performance Assessment process.

The Company Secretary is assessed annually by the CEO against the position description responsibilities and key performance indicators.

8. Performance Based Incentives

The Trustee does not support variable remuneration structures, except in the investment management function and only for investment management leaders. Incentive payments for investment management leaders are in recognition of market norms whereby those who are able to directly influence investment performance generally have some portion of their remuneration at risk. The purpose of the Investment Performance Incentive Plan is to reward and motivate high performance and strong investment returns – which are monitored and reported against a set of objective measures. For investment management leaders that participate in the Investment Performance Incentive Plan, appropriate conduct and consequence management structures are disclosed in the Investment Performance Incentive Plan Policy.

9. Consequence Management

As a regulated entity, the Trustee is required to adhere to all relevant regulatory and legislative requirements that relate to remuneration. These requirements include establishing a link between remuneration outcomes and performance, conduct and risk management.

Consequence Management applies to all employees and is designed to help HESTA effectively address incidents that are inconsistent with expectations of performance, conduct and risk.

Identification of relevant matters

Matters to which the Consequence Management process will apply will be collated by the People Partnering & Advisory Team in consultation with the Executive (where appropriate). Matters for consideration for a remuneration adjustment or clawback or other adjustment may include:

- Not meeting minimum performance expectations or not demonstrating behaviours aligned to HESTA values.
- Breach of law, regulation, or prudential standards.
- Breach of risk management policies or protocols or code of conduct.
- Breach or incident required to be reported to the regulator.
- A known incident regardless of whether it has been officially reported.
- Findings from audits, regulatory reviews, product failures, trends in conduct or risk incidents.

Assessment of relevant matters

Once a relevant matter has been identified it will be assessed and considered as to whether a remuneration reduction is appropriate. Relevant matters will be assessed in terms of a high, medium or low rating on two scales: the severity of the impact and the individual's degree of accountability/responsibility for the relevant matter.

The table below provides example indicators for each scale used in the relevant matter matrix.

Relevant matter matrix – example indicators		
Rating	Impact	Accountability / responsibility
High	<ul style="list-style-type: none"> • Unlawful conduct or other misconduct that represents a significant breach of the Code of Conduct that may have a catastrophic or long term impact on HESTA, its members or its people • Persistent and recurring non-compliance or significant non-compliance with internal policies, processes, frameworks and/or at law • Significant impact to our members • Significant financial loss • Significant impact on prudential standing • Substantial reputational impact/media coverage • Criminal or civil prosecution; and/or • Significant employee impact 	<ul style="list-style-type: none"> • Employee had direct responsibility for the matter/failure and failed to take appropriate steps to manage the matter; and/or • Employee engaged in knowing and deliberate conduct; and/or • Employee engaged in reckless or grossly negligent conduct; and/or • Employee engaged in serious misconduct; and/or concealed conduct from HESTA or a regulator
Medium	<ul style="list-style-type: none"> • Misconduct that represents a serious breach of the Code of Conduct requirements that may have a serious impact on HESTA, its members or its people. 	<ul style="list-style-type: none"> • Employee was accountable but not responsible for the matter/failure and failed to take appropriate steps to manage the matter

	<ul style="list-style-type: none"> • Recurring or multiple instances of non-compliance with internal policies, processes and frameworks • Impact to some members • Financial loss • Impact on prudential standing • Limited reputational impact/media coverage • Regulatory action (no prosecution); and/or • Some employee impact 	
Low	<ul style="list-style-type: none"> • Low level misconduct that is unlikely to have an adverse impact on HESTA, its members or its people • One-off low level non-compliance with an internal policy, process or framework • Low financial loss • Low impact on prudential standing • Low reputational impact/media coverage • Disclosable to regulator • Low or no employee impact 	<ul style="list-style-type: none"> • Employee took appropriate steps, but this was not effective to prevent the matter/failure; and/or • Employee had no knowledge of the risk or failure to respond to the risk

Consequence outcomes

A matter will be considered as determined by the Impact and Responsibility/Accountability assessment. In applying the matrix:

- The matter will be considered on where it falls on the scale in terms of individual accountability (e.g. low, medium or high) along with the severity of impact of the matter (e.g. low, medium or high) and
- Other considerations that need to be accounted for which are relevant to categorisation will be assessed before determining the final recommended adjustment.

Depending on the specific matter, the range of consequences available include but are not limited to downward adjustments to variable remuneration, a remuneration freeze, reduction of proposed fixed remuneration increases, impacts to non salary employment benefits such as reduced access to development opportunities, secondments and promotions. In severe/significant matters there may be impacts to employment such as a demotion or termination of employment as well as application of malus and/or clawback where applicable.

Actioning relevant matters

If it is alleged that conduct has been identified that is contrary to the Code of Conduct, employees and directors will have an opportunity to provide their version of events. If the allegations are more serious, a formal process may be required.

In certain situations it may take time for the total impact of a relevant matter to emerge. As such, HESTA may apply an initial consequence which is revised at a future point once the full extent of the relevant matter is known. In other cases, HESTA may delay consideration of the matter until the investigation is complete.

In investigating an allegation of a behaviour that is contrary to the Code, HESTA will ensure its decision-making is fair and reasonable. Any non financial consequences (eg. formal warning, termination etc.) will be managed as per standard performance/conduct management processes.

A person who is no longer employed or engaged by the Trustee is subject to the same vesting clawback provisions as those for an employee employed or engaged by HESTA (if applicable).

Communication of consequences

The CEO or Head of People and Culture (or a People and Culture delegate) will be responsible for communicating consequences to the impacted individuals. When communicating consequences, the CEO or Head of People and Culture (or their delegate) will provide information on the relevant matter, the consequence applied, and the process undertaken to determine the outcomes.

Any financial consequences applied will be communicated in a timely manner. However, the impact of financial consequences will be realised on an annual basis in line with the remuneration cycle. Any financial consequences applied will also be documented in annual remuneration outcome letters and on performance reviews outlining the types of consequences that have been applied.

Employees seeking to appeal the outcomes under Consequence Management can do so to the Head of People and Culture in writing.

Consequence register

All relevant matters considered for a remuneration adjustment will be recorded, including where an adjustment was considered but ultimately not applied. The consequence register will be maintained by the People Partnering and Advisory team.

10. Non-Salary Employment Benefits

The Trustee provides a number of non-salary benefits and initiatives to employees as part of its employee value proposition. The Trustee provides for example, flexible working arrangements where appropriate, individual employee training allowances, corporate social responsibility leave, well-being initiatives and a purpose driven culture.

11. Third Party Providers

HESTA maintains oversight of material third party providers and their compensation arrangements, as set out in HESTA's Procurement Policy, and has adopted appropriate controls. The Procurement Policy and relevant providers are regularly reviewed in accordance with CPS 511.

12. Review and Approval of Remuneration Policy

This remuneration policy will be reviewed annually by the Governance and Remuneration Committee and an overall effectiveness review will occur triennially. A compliance review of this policy by management will also take place annually. The Board has ultimate accountability for the approval of this policy.