

remuneration policy

Prepared by

Office of the CEO and People and Culture



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.

Reviews of Directors' remuneration are undertaken by the Governance and Remuneration Committee with any recommendations tabled for approval at the AGM.

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 and Compliance and Finance and Corporate Services 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. 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.

10. 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.

11. 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.