



**Prudential Standard CPS 511  
Remuneration**

**Annual Remuneration Disclosure**

For year ended 30 June 2025

## Introduction

Defence Health Limited (Defence Health) is a private health insurance company regulated by the Australian Prudential Regulation Authority (APRA). APRA *Prudential Standard CPS 511 - Remuneration* (CPS 511) sets out requirements for APRA-regulated entities in relation to remuneration. The objectives of CPS 511 include ensuring that:

- APRA-regulated entities maintain a remuneration framework which promote effective management of financial and non-financial risks
- Remuneration outcomes are commensurate with performance and risk outcomes
- APRA-regulated entities make clear, comprehensive, meaningful, consistent and comparable public disclosure on remuneration

Defence Health is a '*non-significant financial institution*' (non-SFI) for the purposes of CPS 511. This document has been prepared by Defence Health in accordance with the remuneration disclosures requirements under CPS 511 for non-SFIs.

The information reported in this disclosure is for the period 1 July 2024 to 30 June 2025.

## Defence Health's Remuneration Framework

Defence Health's Remuneration Framework meets the requirements of CPS 511 and includes policies and procedures that outline the structure and terms for remuneration, how remuneration and performance reviews are conducted, approved and reported on, and how remuneration related policies are continually reviewed to ensure good governance practices.

The Remuneration Framework covers the remuneration policies and procedures that apply to persons in Specified Roles under CPS 511, being: all NED, the Chief Executive Officer (CEO), all Executives, all Material Risk Takes (as defined in CPS 511) and all risk and financial control personnel.

Key elements of Defence Health's Remuneration Framework include:

<b>Remuneration Policy</b>	Defence Health's Remuneration Policy applies to all non-executive employees. It establishes consistent guidelines to assist in determining appropriate remuneration for employees, is designed to support Defence Health's commitment to providing market-competitive remuneration, including financial rewards linked directly to employee contribution and performance, and sets out the types of bonuses and incentives that may be payable to employees
<b>Executive Remuneration and Performance Review Policy</b>	The Executive Remuneration and Performance Review Policy applies to all Executive employees. It outlines Defence Health's commitment and approach to providing market-competitive remuneration to attract, reward and retain skilled Executives, and consider the Executive's adherence to regulatory and legislative obligations; aligns Executive performance with Defence Health's strategy, values and business goals for the benefit of Defence Health members; and ensures that remuneration and performance standards are equitable and transparent for all Executives.

<b>Employee Performance Review Policy</b>	The Employee Performance Review Policy applies to all Defence Health employees (including Executives). It provides for a performance review cycle which aims to: provide a consistent and structured approach to support employee development; drive the performance of individual employees and Defence Health overall; and supports attracting, developing and retaining a high performing workforce to support the delivery of the Company's strategic and operational goals for the benefit of its members.
<b>Employee Performance Review Procedure</b>	The Defence Health Employee Performance Review Procedure outlines the processes and systems which underpin the Employee Performance Review Policy. Its aims include the recognition of high performing staff through Defence Health's remuneration and reward and recognition policies, and enabling performance improvement actions where under performance is identified
<b>Director Employment Policy (including Non-Executive Director Remuneration Principles)</b>	This policy includes provisions for the evaluation of performance of the Board overall, Board Committees, the Board Chair and individual directors. It also details principles for Non-Executive Director (NED) remuneration, intended to support Defence Health's commitment to provide market competitive remuneration to attract, reward and retain skilled NEDs, in a prudent manner, having regard to the nature and size of its business, and in accordance with the Company's constitution and Board Charter.

## Defence Health's Remuneration Structure

### Employee remuneration

Defence Health's employee remuneration structure is based primarily on fixed remuneration, with a limited discretionary bonus scheme introduced in the FY25 year to reward employees (excluding Executives) who satisfy performance criteria in a given year. The remuneration structure and terms:

- are aligned to the nature, complexity and size of Defence Health's business
- are designed to balance support for strategic objectives and recognition of appropriate risk management
- recognise the challenges of ensuring an appropriate market-competitive remuneration approach to attracting and retaining high level talent which will support Defence Health's strategic objectives, while operating within a 'profit for member' environment

Employee remuneration is set having regard to comparative benchmarks and individual skills, experience and contributions. The following principles apply to support achieving competitive salaries and rewarding sustained performance over time:

- pay ranges are built, benchmarked to equivalent positions benchmarked against organisations within the Insurance industry with annual revenue between 50% and 200% of projected Defence Health's financial year revenue
- target salary ranges are established of +/-20% from benchmark to provide flexibility to reward sustained performance over time

All Employees are subject to an annual performance review against pre-determined objectives and criteria, which informs the outcome of the annual remuneration adjustment. Employees are not eligible to be considered for an annual remuneration review unless they receive a performance rating, at a minimum, of consistently meeting expectations for their role, measured during mid-year and annual performance reviews.

Annual performance reviews include:

- consideration of company performance and strategy delivery
- individual performance against KPIs, including consideration of effective risk management (financial and non-financial), compliance, and behavioural indicators aligned to strategy and values
- comparison against relevant industry benchmarking and internal relativities

Executive performance reviews incorporate assessment of performance having regard to enterprise and individual KPIs and strategic objectives, effective risk management and compliance accountability.

Where underperformance is identified in individual goals including failure to meet risk management outcomes, a range of strategies is adopted, including ineligibility for annual remuneration review, counselling, additional training or formal performance improvement plans. Disciplinary action up to and including dismissal may be applied where serious misconduct is identified or performance requirements cannot be met.

Defence Health's Remuneration Framework does not include any short or long term incentive payment structure. However, the Remuneration Policy provides for the following discretionary bonus payments:

- a small bonus allocation (calculated at 2.5% or 5% of the employee's annual salary package) to be made to identified high performing employees (excluding Executives and fixed term employees). Employees are only eligible to be considered for a performance bonus if they achieve a performance rating of 'exceeds expectations' or higher
- a non-recurrent bonus may be paid to an employee (excluding Executives) in exceptional circumstances

## Governance and oversight of the Remuneration Framework

Defence Health's Remuneration Framework is governed and overseen by the **Board of Directors**, supported by the Board **People, Culture & Remuneration Committee** (PCRC) and **Risk Committee**.

### Board

The Board comprises 8 independent, non-executive directors. Reflecting Defence Health's purpose and membership base, the Board includes 2 directors who are nominated by the Chief of Army and Chief of Airforce respectively.

The Board is required to meet at least 6 times per year, and 6 formal Board meetings were held during FY25.

The Board is responsible for overall oversight of the strategic direction and sound and prudent management of the organisation. The Board's role, responsibilities, functions and processes are governed by the Board Charter, which is generally reviewed annually and approved by the Board.

The Board is ultimate responsible for the Remuneration Framework. This includes:

- appointing and removing the CEO and Executive team;
- determining corporate goals and objectives of the CEO and evaluating the CEO's performance in light of these goals and objectives
- Reviewing and determining the CEO's salary
- On the recommendation of the PCRC and the CEO, reviewing the performance and determining the remuneration of each Executive in accordance with the Executive Remuneration Policy

The Board reviews and approves the Remuneration Policy and the Director Employment Policy (including Non-Executive Director Remuneration Principles) on at least a biennial basis.

In exercising its discretion in making decisions regarding remuneration matters, including determining remuneration structure, amounts and reviews, the Board takes account of the advice of independent experts and benchmarking reports (where applicable), the PCRC and the CEO.

Where functions in relation to remuneration are performed by the PCRC, the Board fulfills its overall governance responsibilities through oversight of, and reporting from, the PCRC.

### **People, Culture & Remuneration Committee**

The PCRC is a standing committee of the Board established to support the Board in relation to matters including the appointment of the CEO, Board and Executive performance and remuneration, and a range of matters relating to people and culture. The role, responsibilities, functions and processes of the PCRC are governed by a formal charter, which is generally reviewed annually by the committee, and reviewed and approved by the Board.

Responsibilities of the PCRC include:

- Overseeing and reporting to the Board in relation to people matters, including strategies to enhance people and organisational effectiveness, ensuring the alignment of workforce principles with strategic and business plans, and people development, attraction, remuneration and retention principles and strategies
- Determining performance criteria for the CEO and regularly assessing, and making recommendations to the Board in relation to, the CEO's performance against those criteria
- On the advice of the CEO, assessing and making recommendations to the Board in relation to the performance of the Executive team, any other persons whose activities may affect the financial soundness of Defence Health, and any other persons specified by APRA
- Ensuring that a formal evaluation of the performance of the Board, Board Committees, Chair, and individual directors is undertaken annually
- Implementing the Board approved Non-Executive Director Remuneration Policy

The PCRC comprises 3 non-executive, independent directors of Defence Health. The Chair of the Board is currently a member of, but does not chair, the PCRC.

The PCRC is generally expected to meet at least 4 times per year. 5 formal committee meetings were held during FY25.

The PCRC is responsible for reviewing and approving the Executive Remuneration and Performance Review Policy at least annually.

### **Risk Committee**

The Risk Committee supports the Board by providing an objective, non-executive review of the implementation and operation of Defence Health's risk management framework. The role, responsibilities, functions and processes of the Risk Committee are governed by a formal charter, which is generally reviewed annually by the committee, and reviewed and approved by the Board.

The Risk Committee's functions include reviewing the performance and setting the objectives of Defence Health's Chief Risk & Governance Officer.

During FY25, the Risk Committee comprised 3 non-Executive Directors, with an additional Director appointed to this Committee effective 1 November 2025. Generally, the Risk Committee meets at least 4 times per year, and 4 formal committee meetings were held during FY25.