



CPS 511 Remuneration disclosure FY25



Introduction



Latrobe Health Services (Latrobe Health) is a private health insurance company regulated by the Australian Prudential Regulation Authority (APRA). *Prudential Standard CPS 511 Remuneration* (CPS 511) contains remuneration disclosure requirements that are designed to provide transparency on remuneration practices across APRA-regulated entities, requiring entities to publicly disclose information on their remuneration frameworks, design, governance and outcomes.

Latrobe Health is a non-significant financial institution (non-SFI) for the purposes of CPS 511. This document has been prepared by Latrobe Health in accordance with the remuneration disclosure requirements under CPS 511. The information reported in this disclosure is for the period 1 July 2024 to 30 June 2025.





Board

The Latrobe Health Board comprises seven Directors and meets at least five times per year (and at any other times as the Board may determine). The Board is ultimately responsible for Latrobe Health's remuneration framework and its effective application; ensuring that remuneration practices are supported by policies and procedures that influence behaviour aligned with the organisation's values and behaviours framework, risk culture and broader organisational culture. This includes clear accountabilities and expectations for risk management, effective consequence management and a strong tone from the top on risk culture. The Board has discretion to adjust variable components of remuneration downwards, to zero if appropriate.

The Board Charter assists the Board and its Committees to carry out their responsibilities. Included in the Governance Principles of the Board Charter is the principle to 'Remunerate fairly and responsibly'.

People & Culture Committee

The Board has established a Board People & Culture Committee (PCC) with a written charter that sets out its roles, responsibilities and terms of operation. The PCC is delegated responsibility by the Board for providing governance oversight of remuneration design and practice across the Latrobe Health group in application of CPS 511. The PCC comprises up to four members, all of whom are independent non-executive Directors. The PCC meets at least three times a year and fulfils the corporate governance responsibilities in relation to the remuneration and performance incentives of all specified roles having regard to the performance of Latrobe Health, individual performance and the Risk Management Framework. Specific responsibilities of the PCC in relation to remuneration include:

- Makes recommendations to the Board in respect to establishing an appropriate Remuneration Framework for Directors, the CEO and direct reports
- Undertakes regular reviews of relevant Remuneration Policies ensuring compliance with relevant Standards and legislation
- Challenges the ongoing effectiveness of Remuneration Policies across Latrobe Health seeking assurance and evidence that its operation is influencing behaviours and performance as intended
- Ensures the Risk Management Framework effectively supports remuneration decisions
- Makes recommendations to the Board regarding the level of remuneration for Directors
- Annually review the performance of the CEO
- Makes annual recommendation to the Board in relation to remuneration decisions for the CEO, direct reports of the CEO and any other internal positions defined in the Fit and Proper Person Policy, highlighting any changes throughout the year
- Approve at each meeting travelling and other expenses properly incurred by Directors.

The CEO provides a report to the PCC on the performance outcomes of executive leadership roles at least every six months.

In September each year, the PCC reviews the list of persons in specified roles and recommends to the Board for approval performance commentary and associated remuneration outcomes presented by the CEO. Adjustments are made if necessary.

The PCC has free and unfettered access to the Board Risk Committee, Board Audit Committee, Chief Risk Officer (CRO), Chief People & Culture Officer (CPCO) and other relevant parties (both internal and external) in the course of its duties to enable risk outcomes to be appropriately reflected in remuneration outcomes for persons in specified roles.

Accompanying the year-end performance summary for the CEO that is presented to both PCC and the Board is a statement from the CRO providing commentary on any performance or risk outcomes (financial or non-financial) that may impact the determination of remuneration outcomes for the CEO. This statement is provided to the CPCO and presented directly to the PCC for consideration.

Remuneration Framework



Remuneration Framework

Latrobe Health maintains a remuneration framework that meets CPS 511 requirements. This remuneration framework comprises:

- **Remuneration Policy** – reviewed annually by the PCC & Board, with last review by in April 2025.
- Supporting **Executive Remuneration Policy** – reviewed every three years by the PCC & Board, with last review in August 2024.

Latrobe Health's Remuneration Policy is designed to ensure Latrobe Health staff achieve consistent performance results and any form of remuneration is aligned to:

- Organisational values and behaviours
- High standard of corporate governance and risk management
- Aspirational and strategic objectives and targets
- Expected member service outcomes and performance.

The Remuneration Policy applies to all remuneration decisions made for:

- All staff employed directly by Latrobe Health, including persons in Specified Roles as defined under CPS 511 and Accountable Persons as defined under the Financial Accountability Regime (FAR) Act; and
- any other individual or provider who through the provision of services may materially affect the management of financial or non-financial risks, and where there is a material payment amount based on performance.

Specified Roles for the purposes of the Remuneration Policy include: Directors, the CEO, Executive Managers, Material Risk Takers and Risk and Financial Control Personnel.

The Remuneration Policy has been designed with the following objectives:

- Keep, develop and attract talented staff
- Acknowledge and reward performance that exceeds day-to-day KPI's and targets
- Create a high-performance culture that is underpinned by our values
- Deliver on our member value proposition
- Ensure short term goals build towards sustainable long-term performance
- Ensure effective and appropriate risk prevention and mitigation strategies

Key components of the Remuneration Policy include:

- Structure and terms for remuneration design
- Allowable variable remuneration structures, including both short-term incentives (STIs) and long-term incentives (LTIs)
- How variable remuneration is assessed
- Consequence management matrix providing guidance for the event of any downward remuneration adjustments
- Deferred remuneration obligations and arrangements
- How remuneration recommendations are made, approved and reported on
- How the Remuneration Policy will be continually reviewed to ensure good governance practice

Remuneration Structures



Remuneration Structures

Remuneration structure and terms are aligned to the complexity and business size of Latrobe Health. The structure and terms also recognise the challenges of ensuring appropriate incentives exist to attract and retain high level talent to support Latrobe Health's regional location and focus. The Remuneration Policy ensures employees are remunerated through salary that aligns with comparative benchmarks and individual skills, experience and contributions.

The following forms of remuneration are available under Remuneration Policy:

- Fixed remuneration – base salary, superannuation, cash and non-cash benefits
- Variable remuneration – LTI, STI, Commissions, Incentives and/or High Performance Reward

Each component of remuneration details who it may be applicable for, how it is assessed, and how it may be approved in line with the Operational Delegations Register.



Assessment of Performance & Risk Management Outcomes



Assessment of Performance & Risk Management Outcomes

Short Term Incentives (STI) - used to reward the CEO and persons in Specified Roles categories for the achievement or contribution towards annual strategic and business plan KPIs and defined performance and risk measures assessed through Growth & Achievement plans and adherence with The Latrobe Way.

Staff may be eligible for a separate performance based STI related to role requirements and on the achievement of defined performance and risk measures within the procedures relating to:

- Commission payments: Business Development staff
- Incentive structures: Customer Experience staff
- High Performance Rewards: All other corporate staff (excluding Specified Roles)

STIs will be approved and awarded based on the terms defined within the Policy, and can be adjusted downwards towards zero based on performance against KPIs set annually in individual Growth and Achievement Plans and/or demonstration of The Latrobe Way values and behaviours.

Long Term Incentives (LTI) - used to commit the CEO and other persons in Specified Roles (where approved separately by the Board) for a longer period and to ensure that outcomes are consistent with remuneration objectives.

LTIs will be approved and awarded based on the terms defined within the Policy and will be adjusted downwards towards zero where evidence that remuneration principles and Policy requirements are not met or in response to significant unexpected or unintended consequences which impact the effective management of financial and non-financial risks.

LTIs will be reviewed annually by the PCC with a performance trajectory tracked against financial and non-financial KPIs linked to the LTI based on evidence obtained from:

- External reporting indicators (Financial Condition Report, External Audit performance, Internal Audit performance)
- Performance against the Risk Appetite Statement
- Culture pulse check and re-test assessments
- Incident investigations or other risk related reports
- In awarding any variable remuneration component for persons in specified roles, the PCC will make recommendation to the Board based on evidence of performance against KPIs and risk measures. Any variable remuneration component will be paid only if:
 - It meets the remuneration objectives
 - Is justified on the basis of the performance outcomes achieved
 - The management of financial and non-financial risks effectiveness is demonstrated based on evidence through documented performance reviews
 - Evidence of behaviours consistent with the Latrobe Way as documented through performance reviews.

Assessment of Performance & Risk Management Outcomes



For these roles a downward adjustment of the variable remuneration component would be triggered where the assessment indicates:

- A significant downturn in financial performance (revenue, profit and growth-based KPI's)
- Evidence of misconduct or negligence resulting in losses
- A significant failure of financial or non-financial risk management (due to action or inaction)
- A significant failure or breach of accountability, fitness and propriety, or compliance obligations
- A significant error or misstatement of criteria on which the variable remuneration determination was based
- A failure to meet the Latrobe Way
- Significant adverse outcome for members

The downward adjustment tools that Latrobe may apply to the variable remuneration component include, but are not limited to:

- In-period adjustments made during the performance year
- Malus to reduce the value of all or part of deferred variable remuneration before it has vested (e.g., variable remuneration that are subject to FAR deferral requirements)
- Clawback to recover all or part of variable remuneration already paid or vested

A downward adjustment of the variable remuneration component must be proportionate to the severity of the risk and conduct outcome. Latrobe Health will use the severity matrix defined within the Policy to determine the appropriate adjustment tool to use and the amount of the downward adjustment.

LTI Deferral

Under CPS 511, Latrobe Health is considered a non-SFI and as such deferral requirements for Long Term Incentives (LTI) do not apply.

However, under the Financial Accountability Regime (FAR) each Accountable Person is subject to deferred remuneration obligations. Accordingly, Latrobe Health must defer 40% of variable remuneration for at least four years, if the amount to be deferred exceeds \$50,000. This requirement applies if total variable remuneration, including STIs and LTIs, is greater than \$125,000.

If an Accountable Person has failed to comply with accountability obligations and achievement objectives, LHS will reduce and not pay variable remuneration by an amount that is proportionate to the failure according to the 'severity matrix' outlined in the Policy.

Subsidiary Remuneration Governance

Maryvale Private Hospital (MPH) is a wholly owned subsidiary of Latrobe Health Services; with its own Board of Directors and CEO.

The Requirements of CPS511 have been appropriately applied to the remuneration governance of MPH through the Board-adopted Remuneration Policy, in so far as:

- The MPH Board oversees and has accountability for remuneration governance and practices; and
- Remunerations decisions for the CEO and Executive roles are approved by the Board with reference to performance and risk outcomes.

Variable remuneration structures are not included as allowable remuneration structures for any staff members of MPH (CEO, Executive or staff); and as such requirements for downward adjustment mechanisms are not relevant.



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