



BLUE

2023 EXECUTIVE COMPENSATION SUMMARY



Blue Shield of California: we're truly mission-driven

At Blue Shield our mission is to ensure all Californians have access to high-quality health care worthy of our family and friends and sustainably affordable. To achieve our mission, we must transform a dysfunctional healthcare system and ensure everything we do, every decision we make is driven by our mission and a strong leadership team that inspires all of us to achieve our goals.

The purpose of this document is to provide insight into our executive compensation program and how we pay for performance. As a non-profit healthcare plan, we want to be transparent and help our members and partners understand what we stand for, what we do, and why we do it.

Table of Contents

Our compensation philosophy	4
Improving results with an eye on the future	6
Elements of our executive compensation program	7
Compensation mix.....	8
Executive Incentive Plan	9
Long-Term Incentive Plan.....	11
Compensation paid.....	13
2023 Chief Executive Officer (CEO) compensation.....	14
How we compare against the market	16
CEO pay ratio	17
Pay equity.....	18



Our compensation philosophy

Blue Shield rewards executives through a pay for performance compensation philosophy that combines achieving strong company performance (the “what”) and high-quality, high-performing leadership (the “how”). How we achieve our results through leadership is as important as what we achieve. We expect our leaders to be human, honest and courageous and to model our leadership behaviors, including continuously advancing toward our north star, to make health care worthy of our family and friends. We do this by putting our members first, giving back to our communities, building high-performing teams, and delivering high-quality results.



At Blue Shield we are committed to a compensation program that is fair, equitable, performance-based, and competitive so that we can attract, retain, motivate and reward an executive team with superior skills and experience – to lead in the healthcare industry and fulfill our mission.

We pay for outcomes versus effort and emphasize achieving them in the right way, aligned with our values and leadership behaviors.

The compensation program is overseen by the Compensation and Human Resources Committee of the Board of Directors, an independent committee comprised of outside directors. Annually, the committee:

- Reviews our compensation philosophy and guiding principles
- Works with an independent compensation consultant to benchmark Blue Shield pay programs against peer companies, which include non-profit and for-profit managed care companies, and California general industry
- Reviews and approves short- and long-term incentive measures and goals
- Monitors company performance against goals and determines applicable incentive payout factors
- Reviews and approves the performance and development plans of the Chief Executive Officer and senior leadership
- Reviews and approves executive compensation actions
- Reviews incentive plans to ensure they do not promote excessive risk taking

Improving results with an eye on the future

In 2023, we made significant progress in many areas and built strength for future success.

Key results included:

- Delivered net operating income before tax of \$200 million versus a loss of \$1,369 in 2022
- Exceeded goals for membership growth, customer experience, and affordability
- Achieved our highest ever net promoter score – member likelihood of recommending Blue Shield
- Improved long-term clinical quality scores but did not meet our Medicare Stars goal

We won a number of high-profile, competitive industry awards, highlighting Blue Shield's commitment to cultivating a diverse, equitable, and inclusive workplace and workforce, including 2023 People magazine's Companies that Care, Fortune 100 Best Companies to Work For 2023, and 13 Top 50 awards from DiversityInc. Our employees set a new record for employee annual giving and volunteer participation of 92 percent (goal was 75 percent). Additionally, we established a new method to seek and measure employee feedback, which produces data that enables prompt action to continuously improve the employee experience.

In 2023, we scaled a critical, strategic transformation initiative – Pharmacy Care Reimagined, a first-of-its-kind model that removes the unnecessary and wasteful parts of the prescription drug supply chain, ultimately making drug costs more transparent and affordable. We proudly announced this initiative and garnered national attention, which further established our reputation as a healthcare industry innovator. We have plans to develop many more such opportunities in the years ahead.

Our 2023 financial results represent a significant turnaround from 2022 as total company performance improved dramatically. Our plan for 2024 builds upon the momentum generated in 2023 and our confidence remains high as we continue to build a health care system worthy of our family and friends and sustainably affordable.


Elements of our executive compensation program

Element	Link to program objectives	Type of compensation	Key features
Base Salary	Provides a consistent source of income and is a standard compensation element	Cash	Generally targeted between the median and 75th percentile of the market, with differentiation expected for each individual based on their skills, experience, market conditions, performance and demonstrated contributions to the company
Executive Incentive Plan	An annual cash-based incentive that encourages executives to focus on specific corporate and individual annual performance goals	Cash	Target incentive opportunity is set as a percentage of base salary and is paid only if performance levels are met and leadership behaviors are demonstrated
Long-Term Incentive Plan	Links pay to the achievement of the company's long-term strategic goals; promotes retention	Cash	Target incentive opportunity is set annually with a three-year horizon needed to achieve the company's performance goals
Health and Welfare Benefits	Helps attract and retain talent	Benefit	Comprehensive program of benefits that are available generally to all Blue Shield employees
Retirement	Helps attract and retain talent	Benefit	Executives receive retirement benefits through four plans: <ul style="list-style-type: none"> • 401(k) Plan • Deferred Compensation Plan • Defined Benefit Pension Plan (closed to new participants as of 1/1/16) • Supplemental Executive Retirement Plan (closed to new participants as of 1/1/16)
Other Benefits (e.g., perquisites)	Enables executives to be efficient and focus on their role	Benefit	Perquisites are limited in amount and the Compensation and Human Resources Committee limits eligibility and use

Blue Shield's success depends largely on the contributions of motivated, focused and energized people all working to achieve our strategic goals. This understanding shapes our approach to providing a competitive total rewards package to our executives, including the Chief Executive Officer.

Compensation mix

Target total compensation



BASE SALARY

Base salary provides executives with a consistent source of income.



INCENTIVES

Blue Shield offers two awards:

- Executive Incentive Plan
- Long-Term Incentive Plan

We set targets annually, as a percentage of an executive’s base salary. Payouts tie directly to the company’s achievement of short-term and long-term goals and demonstration of our leadership behaviors.

34%

On average, **base salary** makes up 34% of an executive’s target total compensation.

66%

On average, **incentives** make up 66% of an executive’s target total compensation. This is the percentage of pay “at risk,” meaning not guaranteed.

Benefits

On average, Blue Shield’s benefits package added an amount equal to 17% of target compensation to executives’ total rewards in 2023.



HEALTH, INSURANCE & RETIREMENT BENEFITS

This includes Blue Shield’s health, wellness, insurance and retirement benefits, including our pension plan (closed to new participants as of 1/1/16) and 401(k) plan.

Executive Incentive Plan

This incentive opportunity is tied to achievement of annual strategic and financial goals, and factors in demonstration of our leadership behaviors.

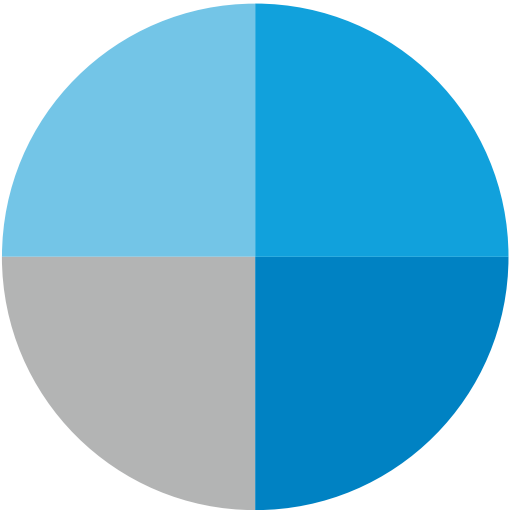


Performance is measured over a one-year period.

Our 2023 goals

(apply to incentive compensation paid in March 2024)

- 25% customer experience
- 25% membership
- 25% clinical quality
- 25% operating income



Executive Incentive Plan Award



Corporate Performance

70% weight

(0 to 150% range)

The corporate performance factor is set as a percentage for the entire company, based on achievement of Blue Shield's goals.

Individual Performance

30% weight

(0 to 200% range)

The individual performance factor is based on the employee's achievement of individual goals and leadership for the plan year.

165%

of target is the maximum payout allowed.

Determining an Executive Incentive Plan award

Corporate and individual performance sets the amount paid out against an executive's target.

Corporate performance sets the amount of the Executive Incentive Plan payout based on achievement of Blue Shield's goals.

$$\begin{array}{ccccccc}
 \text{\$} & & \text{Location icon} & & \text{Trophy icon} & & \text{Calculator icon} \\
 \text{Eligible earnings} & \times & \text{Executive Incentive Plan target opportunity} & \times & \text{Corporate performance factor} & \times & \text{70\%} = \text{Corporate \$}
 \end{array}$$

An executive's **individual performance** against goals impacts the remainder of the Executive Incentive Plan payout.

$$\begin{array}{ccccccc}
 \text{\$} & & \text{Location icon} & & \text{Star icon} & & \text{Calculator icon} \\
 \text{Eligible earnings} & \times & \text{Executive Incentive Plan target opportunity} & \times & \text{Individual performance factor} & \times & \text{30\%} = \text{Individual \$}
 \end{array}$$

Long-Term Incentive Plan

The long-term incentive opportunity is tied to long-term strategic and financial goals that support achieving our mission.

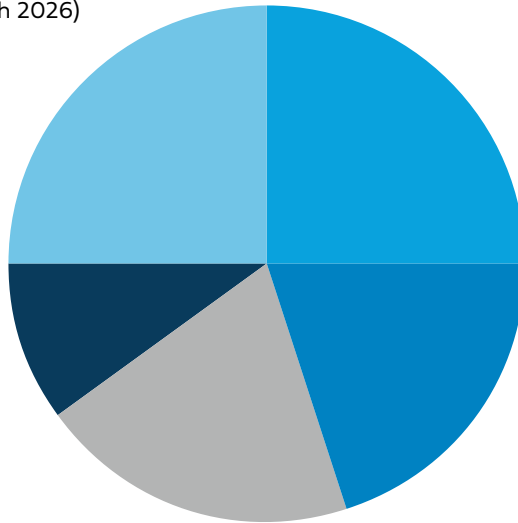


Performance is measured over a rolling three-year period.

Our 2023-2025 goals

(apply to incentive compensation payable in March 2026)

- 25% customer experience
- 25% membership
- 20% clinical quality
- 20% affordability
- 10% great place to do meaningful work



Long-Term Incentive Plan Award



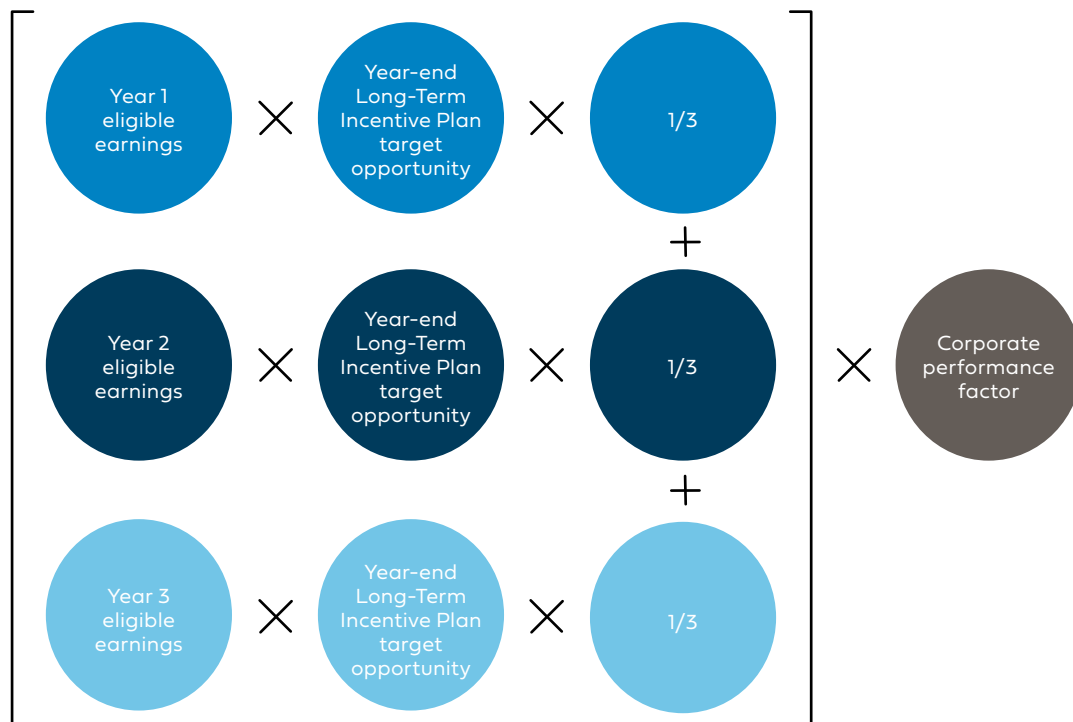
The corporate performance factor for the Long-Term Incentive Plan ranges from

0% to 200%

When applied to an executive's Long-Term Incentive Plan target, it can increase or decrease an executive's award payout.

200% of target is the maximum payout allowed.

Determining a Long-Term Incentive Plan award



Compensation paid

Below is a summary of the compensation paid in 2023 to Blue Shield of California's President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and top three highest paid executives (other than the CEO and CFO) who were employed by Blue Shield of California at year-end.

Paul Markovich

President and Chief Executive Officer
\$7,809,641

Michael Stuart

EVP, Chief Financial Officer
\$1,518,004

Sandra Clarke

EVP, Chief Operating Officer
\$4,105,438

Nishant Anand

Chief Executive Officer, Altais
\$3,360,955

Peter Long

EVP, Strategy and Health Solutions
\$2,574,629

Below is the compensation paid to executives who left the company in 2023 and whose compensation placed them in the top three highest paid overall.

Mary O'Hara

EVP, People and Engagement
\$13,099,533

Amy Yao

SVP, Underwriting and Analytics and
Chief Actuary
\$3,008,407

This year, we updated our determination of executives for whom we report compensation to align with reporting rules for publicly traded companies. While Blue Shield of California is not subject to these rules, this approach ensures we are consistent and focus our reporting on key executives.

Compensation paid includes incentives paid in March 2023 which reflect performance in fiscal year 2022 for the Executive Incentive Plan, and performance in 2020-2022 for the Long-Term Incentive Plan, and payment of retirement benefits and incentives earned over several years upon meeting retirement criteria and other post-termination benefits consistent with plan terms.

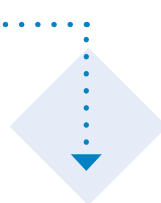


2023 Chief Executive Officer compensation

Our Chief Executive Officer's compensation—and that of our top executives—is weighted heavily toward performance-based incentives, meaning it is "at risk" based on company performance.

2023 base salary

\$1,478,033



81% of Paul Markovich's 2023 total compensation was "at-risk" (Executive Incentive Plan + Long-Term Incentive Plan) and delivered through **performance-based** incentives.

Actual Executive Incentive Plan payout

(based on 2022 achievement)

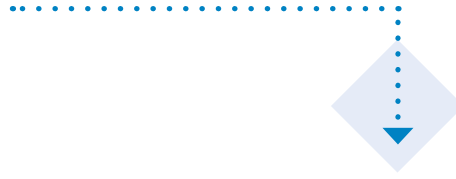
\$1,845,834

Actual Long-Term Incentive Plan payout

(based on 2020-2022 achievement)

\$4,466,284

2023 gross earnings
\$7,809,641



is in-line with the Blue Shield executive compensation philosophy and positioned between the market 50th and 75th percentiles.

The CEO total benefits package

Blue Shield’s benefits package added an amount equal to 25% of target total compensation to the CEO’s total rewards. Blue Shield provides competitive benefits that target the market median, consistent with the company’s compensation philosophy.



Health and welfare:

\$29,617

Employer 401(k) contributions:

All employees are eligible for a 4% matching contribution and a 1% performance-based contribution from Blue Shield.

The CEO participates in the same deferred compensation benefits as other eligible employees.

Retirement Plans:

Paul Markovich participates in the Blue Shield of California Retirement Plan and Supplemental Executive Retirement Plan (SERP). The benefits are earned over a full career with Blue Shield and are payable upon retirement from Blue Shield. Paul Markovich’s benefit formula includes an offset for long-term incentive awards that reduces his benefit versus the standard formula used for other eligible employees hired before 2016.



How we compare against the market

When compared to peer companies, we target the market median for total compensation (base salary plus annual incentive plus long-term incentive) and a range of market 50th to 75th percentile for salary and annual incentive.

Total compensation paid in 2023 to Blue Shield’s Chief Executive Officer was competitive when compared with similarly sized managed care companies, including:

- Blue Cross Blue Shield companies
- Banner Health
- Centene
- Cigna
- Elevance Health
- Highmark Health
- Humana
- Kaiser Permanente
- Molina Healthcare
- Providence Health & Services
- Sutter Health
- UnitedHealth Group
- Other similarly sized nonprofit and for-profit companies in the managed care industry



CEO pay ratio

Public companies must disclose in their proxy statement:

- The annual total compensation of its CEO
- The median of the annual total compensation of all its employees, except the CEO
- The ratio of those two amounts
- Blue Shield is not required to disclose its CEO pay ratio since it is not a public company. We are voluntarily disclosing our CEO pay ratio for transparency.

Blue Shield's CEO pay ratio



For-profit health insurers¹



¹ Includes public health insurers Alignment Healthcare, Centene, Cigna, Elevance Health, Humana, Molina and UnitedHealth.



Pay equity

Consistent with our pay-for-performance philosophy, we strive to rigorously maintain a position where everyone is paid equitably at Blue Shield. One of the tools we use to monitor pay equity is to calculate the average ratio of pay by job and location for minorities versus non-minorities and women versus men. These pay equity ratios will vary slightly over time as employees change jobs, join, or leave the company. As of March 2024, the ratios were:

- 100% for minorities versus non-minorities
- 99% for women versus men

In 2023, we continued our commitment to be a diverse, equitable and inclusive workplace and workforce. We won several high-profile, competitive industry awards, including 2023 People Magazine’s Companies that Care, Fortune 100 Best Companies to Work For 2023, and 13 Top 50 awards from DiversityInc.

Additional awards in 2023 included:

- Gold Distinction in California Insurance Diversity Index
- Leading the Way award from How Women Lead
- Leading Disability Employer by National Organization on Disability
- US Pan Asian American Chamber of Commerce Bronze Award of Distinction inaugural Supplier Diversity Champions program
- Ranked 1st as 2023 Gold Military Friendly Employer under Nonprofit/Gov category
- 2023 “Corporation of the Year” by the United Negro College Fund

Our workforce is diverse.

Minorities and Women as a Percent of Employees by Level

Group	All Levels	Managers	Directors	Vice Presidents and above
Minorities	57%	49%	42%	36%
Women	72%	68%	56%	52%

Data as of March 2024. Minorities includes employees who self-identified as African American, Asian, Multiracial, Native American, Native Hawaiian and Pacific Islander, and Hispanic of any race. Women includes employees who self-identified as female.



Blue Shield of California is an independent member of the Blue Shield Association