



BLUE

2024 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.

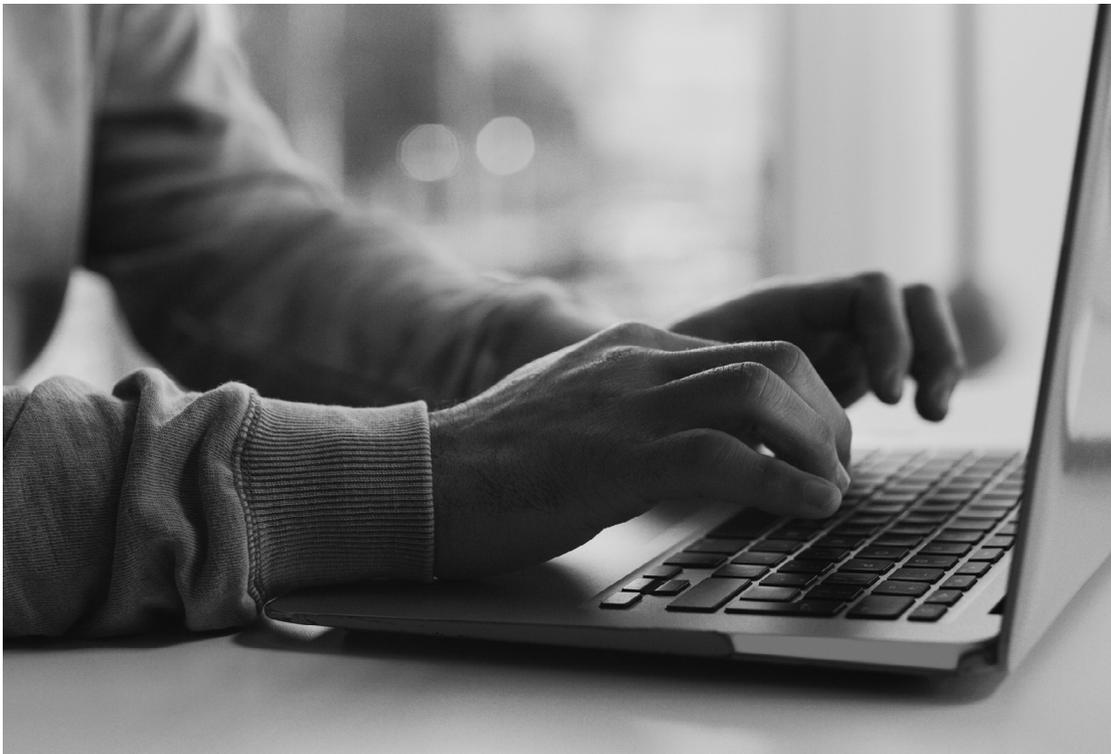
Table of Contents

Our compensation philosophy	4
Innovating to ensure long-term goals	6
Elements of our executive compensation program	7
Compensation mix.....	8
Executive Incentive Plan	9
Long-Term Incentive Plan.....	11
Compensation paid.....	13
2024 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 nonprofit 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

Serving more members while simplifying healthcare

In 2024, we made significant strides in membership growth and built key infrastructure to simplify access to care.

Specifically, we won key business allowing us to serve more than 6 million members as of January 1, 2025, including 586,000 Blue Shield Promise members. We continued to deliver high-quality care, earning our highest ever net promoter score for member likelihood of recommending Blue Shield of California. Although we outperformed our 2024 overall member growth goal, the increasingly high costs of health care meant that we fell short of our operating income goals, delivering net operating income before tax of \$181 million versus \$200 million in 2023.

There were many key initiatives that contributed to these results including:

Member Growth

- Blue Shield was selected as the sole health plan for the California Public Employee Retirement Program (CalPERS), providing its Preferred Provider Organization offering which covers 400,000 state employees, retirees and families.
- We also expanded our low-cost Health Maintenance Organization plan to more California counties and enhanced CalPERS benefits. Additionally, we now serve 700,000 active-duty military members and families in California through TriWest Healthcare Alliance.

Strategic Partnerships

- We announced our strategic collaboration with Salesforce in 2024 to transform the prior authorization process. By January 1, 2026, we will deliver near real-time prior authorization capabilities with plans to expand in the future.
- In 2024, we worked with Fresenius Kabi and Evio Pharmacy Solutions to reduce the price of an FDA-approved Humira biosimilar to \$525 per monthly dose, down from \$2,100. Our first-of-its-kind approach to Pharmacy Care, which unbundles the traditional pharmacy benefit manager model, results in affordable access to lifesaving drugs, trusted pharmacists and convenient medication access through delivery or retail pharmacies.

Investing in our Workforce

- Blue Shield of California remains a great place to work. In 2024, 99 percent of employees participated in annual giving and volunteer opportunities, a new organizational record. We also won high-profile, competitive industry awards including 2024 U.S. News and World Report Best Places to Work For and 2024 U.S. Best Managed Company - Gold Standard winner.

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	Established at hire or promotion based on competitive market data for each role and individual capabilities and experience. Subject to annual adjustment based on market data and individual performance using the same guidelines as for all employees.
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.

24%

For our top 5 executives, **base salary** makes up 24% of their target total compensation.

76%

On average, **incentives** make up 76% of our Top 5 executives’ target total compensation. This is the percentage of pay “at risk,” meaning not guaranteed.

Benefits

For our top 5 executives, Blue Shield’s benefits package added an amount equal to 10% of target total compensation to their total rewards in 2024. Relative to total rewards, base salary made up 22%, incentives 69% and benefits 9%.

HEALTH & RETIREMENT BENEFITS

Includes health insurance, 401(k) plan, and pension plan (closed to new participants as of 1/1/16).

Executive Incentive Plan

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

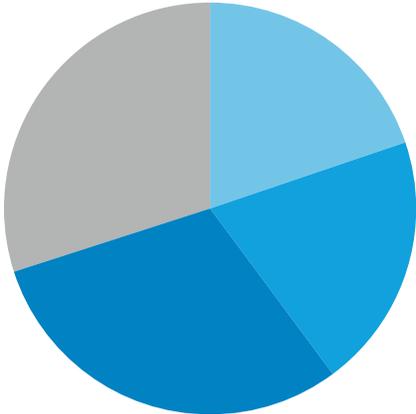


Performance is measured over a one-year period.

Our 2024 goals

(apply to incentive compensation paid in March 2025)

- 30% clinical quality
- 30% operating income
- 20% customer experience
- 20% membership



Executive Incentive Plan Award



Corporate Performance

80% 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

20% 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.

160%

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.



$$\text{Eligible earnings} \times \text{Executive Incentive Plan target} \times \text{Corporate performance factor} \times 80\% = \text{Corporate \$}$$

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



$$\text{Eligible earnings} \times \text{Executive Incentive Plan target} \times \text{Individual performance factor} \times 20\% = \text{Individual \$}$$

Long-Term Incentive Plan

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

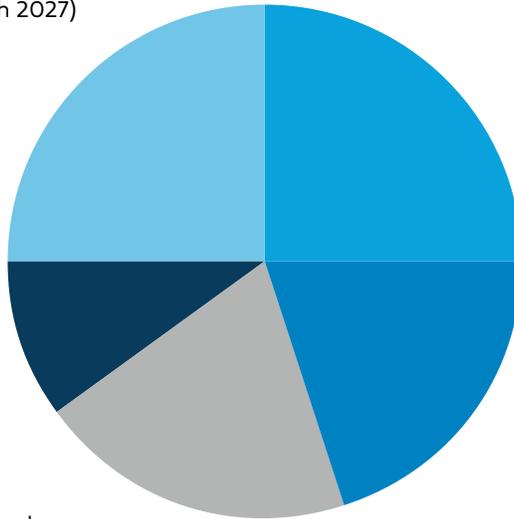


Performance is measured over a rolling three-year period.

Our 2024-2026 goals

(apply to incentive compensation payable in March 2027)

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



In addition to performance for the five goals above, the long-term incentive payout is subject to downward adjustment if certain financial goals are not met.



Long-Term Incentive Plan Award



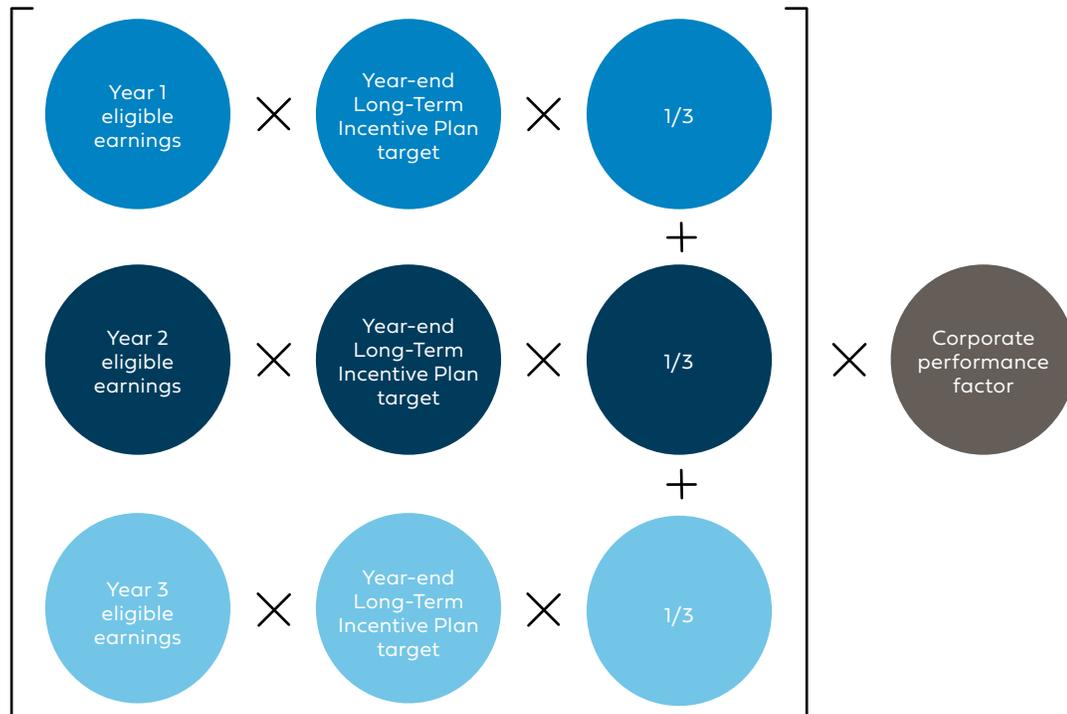
The corporate performance factor for the Long-Term Incentive Plan ranges from

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 2024 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
\$11,191,674

Lisa Davis

EVP, Chief Information Officer
\$2,873,613

Sandra Clarke

EVP, Chief Operating Officer
\$5,765,368

Michael Stuart

EVP, Chief Financial Officer
\$2,406,837

Peter Long

EVP, Strategy and Health Solutions
\$4,360,245

Our determination of executives for whom we report compensation is aligned 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 2024 which reflect performance in fiscal year 2023 for the Executive Incentive Plan, and performance in 2021-2023 for the Long-Term Incentive Plan.

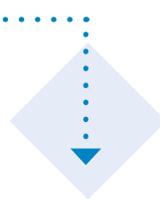


2024 Chief Executive Officer compensation

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.

2024 base salary

\$1,522,374



86% of Paul Markovich’s 2024 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 2023 achievement)

\$2,227,518

Actual Long-Term Incentive Plan payout¹

(based on 2021-2023 achievement)

\$7,440,343

¹ The Long-Term Incentive Plan payout for 2021-2023 achievement was 163% of target - the highest in the history of the company. By comparison, the payout in 2025 for 2022-2024 achievement is 85% of target and payouts have averaged 107% of target for the past ten years.

2024 gross earnings
\$11,191,674



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 2% 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:

\$33,320



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 2024 to Blue Shield’s Chief Executive Officer was competitive when compared with similarly sized managed care companies, including:

- Blue Cross Blue Shield companies
- Ascension Health
- Banner Health
- Centene
- Common Spirit Health
- Davita Inc.
- HCA Healthcare, Inc.
- Horizon Mutual Holdings, Inc.
- Humana
- Kaiser Permanente
- Molina Healthcare
- Sutter Health
- 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 2025, the ratios were:

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

We were recognized for our commitment to cultivating a culture of belonging through several key industry awards, including being named a Leading Disability Employer by National Organization on Disability and 2024 honoree of The Civic 50 by Points of Light, one of the world’s largest nonprofit organizations dedicated to accelerating people-powered change.

Minorities and Women as a Percent of Employees by Level

Group	All Levels	Managers	Directors	Vice Presidents and above
Minorities	59%	50%	42%	33%
Women	72%	66%	55%	51%

Data as of March 2025. 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