



POLICY: SUN HEALTH SERVICES VARIABLE PAY PROGRAM

<i>Original Implementation Date:</i>	March 2018	<i>Date Reviewed/ Revised:</i>	December 2025	<i>Area of Responsibility:</i>	Executive Leadership	<i>Version:</i>	6
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1. Variable Pay Programs

In addition to paying team members a competitive base pay, Sun Health Services (“Sun Health”) has structured a Variable Pay Program (“VPP”) to reflect its commitment to attract and retain key talent by rewarding valued individuals who significantly contribute to the success of the organization. This VPP includes incentives, commissions and bonuses.

In this regard, Sun Health has a fiduciary responsibility to administer the VPP based on meeting established organization, team and individual performance goals. This program will reflect Sun Health’s philosophy that every team member makes a difference, and therefore, eligible team members should share in the success of the organization when it meets and exceeds performance goals.

2. Administration of the VPP

All participation decisions, and the terms and administration of the VPP, rest with the President & CEO of Sun Health Services, whose decisions are final and binding.

3. Participation in VPP

Those individuals whose work responsibilities are expected to have a material impact on the organization’s results are eligible to participate in the VPP, as determined by the President & CEO. Those selected to participate in the VPP are referred to as “Participants.” Participants in one VPP Incentive Year are not automatically eligible to become Participants in any other VPP Incentive Year.

4. Disputes

Any disputes arising under the VPP must be presented in writing to the President & CEO at the following address:

Sun Health Services
 14719 W. Grand Avenue
 Surprise, AZ 85374
 Attn: President & CEO

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Phone: 623-832-5352
Fax: 623-832-4101

The President & CEO shall have sixty (60) days to reach a decision which shall be final and binding on Sun Health and the Participant parties to that dispute.

5. Changes to the Plan

The President & CEO may decide to terminate or modify the VPP at any time. No participant is vested in any compensation or benefit under the VPP. Although Sun Health anticipates paying awards under the VPP, the VPP is intended to be discretionary in nature and the President & CEO has the flexibility to amend or terminate the VPP, including without limitation to adapt to changing Sun Health circumstances. The terms of the VPP shall automatically be deemed to be amended to comply with changes in law or applicable regulations, including to permit the VPP and compensation paid pursuant to the VPP to comply with favorable tax treatment to Sun Health or its Participants, at the President & CEO’s discretion. The President & CEO will resolve ambiguities in the VPP and shall interpret its provisions in his or her discretion.

6. Minimum Level of Performance

Before any awards are paid under the VPP, a minimum level of organizational or division performance must be achieved. The organization’s minimum performance level will be established each year by the President & CEO and shall be based, at least in part, on meeting or exceeding those budget goals that are not subject to market volatility.

7. General Provisions

- A. The VPP shall be governed by Arizona law, unless otherwise governed by Federal law, regardless of the Participant’s location, and without regard to conflict of laws principles.
- B. Nothing in this VPP alters the “at will” nature of a Participant’s employment, which includes the right of Sun Health or a Participant to terminate Participant’s employment at any time for any lawful reason or no reason at all.
- C. Each year, the President & CEO may institute additional incentive or bonus programs that may last one year or less. All provisions of this VPP document will apply to any such additional incentive or bonus program. Applicable programs will be added as an appendix.
- D. “Incentive Year” (also referred to herein as the “Incentive Cycle”), unless otherwise noted in the program description, is defined as a fiscal year for

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Sun Health, or July 1 through June 30, during which the Participant’s performance is measured.

- E. “Executive Leaders” are defined as the Sun Health Executive Leadership Team (“ELT”) comprised of the President & CEO and the “C” level leader of their respective areas.

8. Performance Incentive Programs

A. Participation

1. Participants in the Performance Incentive Programs (“Incentive(s)”) are those exempt team members who are designated leaders or management in their business function, communities or departments and have the title of executive vice president, senior vice president, vice president, director, manager or a title determined in advance as having an equivalent impact. This program is detailed in Appendix A.
2. Other team members who are not in management, or eligible to participate in any other program outlined in this document, may be eligible for a bonus. Specifics of such programs will be in Appendix B if such programs go into effect.
3. The executive leader over the position in question, in conjunction with the President & CEO, will make final determinations as to which positions qualify and at which level if the title of the position makes determining the level unclear.
4. To qualify as a Participant, individuals must satisfy six requirements for participation in any given Incentive Year:
 - i. Meet predetermined goals.
 - ii. Meet performance expectations relative to individual performance and not be on an active performance improvement plan at the end of the Incentive Cycle or at the time of payout.
 - iii. Be employed in a qualifying title for a minimum of six months of the Incentive Cycle. Participants employed for more than six months but less than a full year will receive a prorated award, if earned. This subsection (iii) may be excused as a requirement for eligibility if participation in the VPP is specifically addressed in an offer letter for a VPP qualified position issued with the approval of the President & CEO.
 - iv. Be an active team member of record on the date the Incentive awards are paid. To be considered active, a team member must

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be actively working or subject to the Family Medical Leave Act. Team members whose active employment has ended for any reason prior to the payout date are not eligible for a payout. Former employees receiving a severance payment are not eligible for a VPP payout.

- v. Not be a participant in any other Incentive or commission program.
- vi. Not be in violation of any compliance performance criteria established as part of the Enterprise Risk Management Program (“ERM”).

B. Incentive Award Opportunities

1. The Incentive provides award opportunities as a percentage of the Participant’s base pay aligned with his or her level of responsibility and ability to have an impact on the organization.
2. There are three levels of Incentive payout based on the corresponding performance levels:
 - Threshold
 - Target
 - Maximum

Those programs without these levels are outlined in the corresponding appendices for that incentive.

3. Incentive awards will be payable after completion of financial audits and the acceptance of said audits by the Board of Directors for the completed Incentive Year, but not later than March 15 of the following year.
4. If performance falls between defined levels (threshold, target, maximum), awards will be moved to the closest level at the discretion of the Executive and/or President & CEO. Also, the Executive and/or President & CEO may make adjustments to a Participant’s calculated awards at the end of the Incentive Year to reflect unusual individual performance (positive or negative). If made, adjustments will have a maximum of up to plus or minus 20% of the calculated award, applied in 5% increments.

C. Performance Goals and Weightings

1. Quantitative performance goals focused on both enterprise and individual performance, as applicable, will be set at the beginning of each Incentive Year, but no later than the end of the Incentive Year’s first quarter.

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2. Goals should be aligned with Sun Health’s Strategic Plan to the extent possible, as adopted by the Board.
3. No payout on enterprise goals shall be owed if the minimum gate is not achieved. The gate applied to enterprise goals are outlined below and are based on individual weightings for each:
 - Threshold (50%) – Achieve 95% of gate
 - Target (100%) – Achieve 125% of gate
 - Maximum (150%) – Achieve 160% of gate
4. Enterprise performance goals will be weighted to reflect the scope of responsibility of each Participant.
5. Individual goals and weightings will be indicated on the annual personal award summary Participants are to receive.
6. Participants will be responsible for no more than 4 significant Individual performance goals (overall objectives may exceed 5 when including any sub-portions).
7. Performance goals during the Plan year that are subjected to significant, unanticipated changes in the operating environment will not be changed, but circumstances and alternate goals will be documented in lieu of the original performance goal. These adjustments will be approved or made by the respective Senior Leadership Team (SLT) member in conjunction with the respective Executive Leadership Team (ELT) member.

D. Levels and Measures

1. Performance goals are established based on the level of team member:
 - a. Management criteria are outlined in Appendix A
 - b. Other staff criteria are outlined in Appendix B (if applicable)
2. A Participant’s performance against each objective shall be measured using the threshold, target and maximum scale.
3. As Participants develop their goals, the goals should be written in such a way that the estimated probability of achievement for each performance level reflects the level of difficulty shown below.

PERFORMANCE LEVEL	ACHIEVEMENT PROBABILITY
Threshold	90% (high probability of success)
Target	50%-60% (good probability of success)
Maximum	10% (stretch to achieve this level of success)

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E. Base Pay

Base pay will be calculated as the salary or base compensation paid to a Participant, including paid personal time and sick time, jury duty and bereavement, but excluding any other compensation (e.g., disability, VPP payments, overtime, special awards, or other pay), unless otherwise required by law. If a Participant's salary is adjusted during the Incentive Year, his or her Incentive award will be calculated using the actual base earnings during that Incentive Year.

F. Performance Measurements

The President & CEO reserves the right to review the Executive's recommendations regarding each Participant's performance achievement and determine whether Sun Health and each participant has satisfied their respective objectives. The President & CEO's determination shall be final.

9. Other Incentive and Bonus Programs

Details of other Incentive or bonus programs will be contained in the Appendix for that program, if applicable.

10. Commissions Based Programs

Details regarding commissions programs can be found in the "Sales Commission Policy."

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APPENDIX A

PERFORMANCE INCENTIVE PROGRAM:

LEADER AND MANAGEMENT CRITERIA FY 2026

In fiscal year 2026, participants will receive enterprise goals as a percentage of their overall bonus as follows.

- President & CEO – 100% enterprise
- Executive Leadership Team (ELT) – 80% enterprise
- Executive Vice Presidents (EVPs) – 70% enterprise
- Senior Vice Presidents (SVPs) and Vice Presidents (VPs) – 50% enterprise
- Associate Vice Presidents (AVPs), Executive Directors (EDs), Associate Executive Directors (AEDs), Directors and Managers – 30% enterprise (*excludes Sales Managers)

For the remaining percentage, participants must create goals entitled “Individual Goals.”

All Individual goals must be specific and measurable, and where possible aligned with SLT/ELT goals to support their accomplishment. Participants must pre-establish criteria with their leader to determine whether the goal is met and the appropriate performance level.

Measurement

- Company, department, campus and individual goals will be measured annually.
- The Senior Leadership Team (SLT) member over that department will prepare and submit the measuring matrix for positions within their control to the Executive Leadership Team (ELT) member over that area for approval.
- The Executive in charge of that Department will review those recommendations to the President & CEO for review upon request.

Eligible Positions

Team members will be notified of their eligibility to participate at time of hire, promotion, or other status change that impacts his or her eligibility. **See Exhibit 1 for eligible positions and payout levels.**

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APPENDIX B
PERFORMANCE INCENTIVEES
OTHER TEAM MEMBER CRITERIA

None for FY 2026

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EXHIBIT 1

ELIGIBLE POSITIONS AND PAYOUT LEVELS

This list is subject to annual review and revisions by the Executive Leadership Team.

FY 2026 VPP Participant List				
Title	Targeted Bonus Percentage	Threshold	Target	Max
EVP, SVP and VP	Up to a Maximum of 30% of Base Pay	50%	100%	150%
AVP / Executive Director / Associate Executive Director	Up to a Maximum of 25% of Base Pay	50%	100%	150%
Director	Up to a Maximum of 20% of Base Pay	50%	100%	150%
Manager <ul style="list-style-type: none"> • Exempt managers only • Sales Managers are excluded and only subject to Sales Commission structure 	Up to a Maximum of 10% of Base Pay	50%	100%	150%

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