



“A sense of community and being a good corporate citizen is the bedrock of our foundations”

Company/ASX Code	nib Holdings/NHF
AGM date	Wednesday 30 October 2019
Time and location	11am AEDT Amora Hotel Jamison Street Sydney
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Geoff Orrock assisted by Chandra Agnihotri
Pre AGM Meeting?	Yes, with Chair Mr Steve Crane and Remuneration Chair Ms Lee Ausburn

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

The industry across Australia and New Zealand experienced another year of challenging market conditions. On the back of actual claims growth, premiums continued to rise while household disposable incomes remained static and competition for discretionary consumer spending was fierce.

Nevertheless, nib had another year of generally strong performance across the Group. Group net membership growth was in the order of 5.7% with group revenue up 8.3% to \$2.4 billion and Underlying Operating Profit (UOP) was up 9.2% to \$201.8m (million). Statutory EPS (earnings per share) grew 11.9% to 32.9 cps.

Australians Residents Health Insurance (arhi) led the performance, adding 2.1% to nib membership even though the health insurance industry membership, as a whole, retreated. UOP was \$149.5m.

While arhi still accounts for the bulk of nib operating earnings, together the three non-arhi businesses accounted for 25.9% of UOP in the 2019 financial year (FY19). Membership of these businesses is spread across New Zealand (213,061), foreign students and workers (188,324) and travel insurance (736,000 travel insurance policies sold last year) and is growing. There is also a new business in China with joint venture partner Tasly.

The share price experienced a turbulent year given the expectation of a change of Federal Government. Investor confidence in the sector was at an all-time low when the prospect of a legislated “cap” for two years on arhi premiums looked likely. The share price surged 20% after the

election result became evident. The Board declared a fully franked dividend of 23 cps, an increase of 15% on FY18.

Net debt was \$673.5m. Gearing was 27.6% and Interest Cover ratio was 29:1.

The outlook for all four businesses remains positive however arhi margins look likely to normalise towards a longer term average around 5%-6% due to increased competition across the Group. The company also said that the Australian Government Private Health Insurance Reforms, adopted in April 2019, were a meaningful and positive start to help make health insurance more affordable.

ASA notes that the nib Board has a majority of four female directors. We'd also comment that since the company was listed in 2007 Total Shareholder Return has been an enviable 1,701% compared with a 66% return from the S&P/ASX200.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	149.3	133.5	120.2	91.8	75.3
UPAT (\$m)	201.8	184.8	153.7	132.0	88.0
Share price (\$)	7.67	5.73	5.75	4.12	3.36
Dividend (cents)	23	20	19	14.75	11.5
TSR (%)	37.8	3.1	30	44.3	4.5
EPS (cents)	32.9	29.4	27.2	21.2	17.3
CEO total remuneration, actual (\$m)	3.8	3.6	2.6	1.7	1.6

For FY19, the CEO's total actual remuneration was **43 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note - For May 2019, the Full-time adult average weekly total earnings (annualised) was \$88,145.

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.143	100	1.13*	28
STI - Cash	NA		0.71	18
STI - Equity	NA		0.71	18
LTI	NA		1.42**	36
Total	1.143	100	4.0	100%

*includes superannuation

** LTI granted at face value

Shareholders look to remuneration policy for alignment of executive rewards with shareholder return. ASA policy seeks to ensure that incentive payments also strongly relate to performance which in turn should be reflected in returns to shareholders. According to ASA policy, companies should pay a reasonable fixed salary (FR) and expect “normal” performance. Properly structured short-term and long-term incentive schemes, i.e., pay at risk, should be used to promote outstanding performance over the long term. In practice, most companies, including nib, incentivise executives to achieve the business plan.

Short-term incentive (STI) is awarded on a combination of individual leadership assessment (20%), and financial (Growth, Profitability and Cost Control) and non-financial milestones (People and Customer Satisfaction) (80%). Results against key performance indicators are tabulated in a 5-year performance Table in the Annual Report. STI is awarded in 50% cash and 50% equity with a 2-year deferral on the equity, the first half of which vests in the first year and the second half vests in the second.

The MD’s Fixed Remuneration (FR) in FY19 was \$1.137m. Actual STI awarded in cash was \$0.616m with the same amount awarded in deferred equity. This was 88.4 % of the maximum opportunity for STI. The maximum opportunity for the MD/CEO’s STI is 125% of the base remuneration package.

Long-term incentive (LTI) is granted as zero priced Performance Share Rights (PSRs) with performance measured over four years. The LTI grant is divided into 2 tranches with 50% of the PSRs subject to a Total Shareholder Return (TSR) hurdle ranked against the TSR of a peer group (S&P/ASX200) and 50% against a Statutory EPS Growth Target.

In FY19 the TSR ranked at the 86th percentile and the FY16-19 TSR tranche vested fully. The 4-year Statutory EPS compound annual growth rate (CAGR) was 17.4% and this tranche also vested fully.

The value of LTI vested in FY19 was \$1.514m.

The MD's total remuneration in FY19 was \$3.811m and the 4-year TSR for shareholders was 154%. This is satisfactory alignment and ASA will support this resolution.

Item 3	Re-election of Mr Steve Crane
ASA Vote	For

Summary of ASA Position

Mr Crane, an independent NED, was appointed to the Board in September 2010 and elected as Chairman in October 2011.

He has more than 40 years of financial market experience and an extensive background in publicly listed companies with expertise in developing and leading international businesses, corporate strategy, and government interactions at a senior level.

Mr Crane is a director of APA Group, SCA Property Group and Chairman of the Taronga Conservation Society Australia.

He (or personally related parties) holds 250,000 nib shares.

Item 4	Re-election of Mr Donal O'Dwyer
ASA Vote	For

Summary of ASA Position

Mr O'Dwyer, an independent NED, was appointed to the Board in March 2016. He is Chairman of the Investment Committee, and a member of the Risk and Reputation Committee, People and Remuneration Committee, and Nomination Committee.

He has extensive experience in global general management of healthcare products and medical devices as worldwide President, at different times, of both a Johnson and Johnson company and Edwards Lifesciences.

He is currently a director of Cochlear, Mesoblast Ltd and Fischer and Paykel Healthcare Corporation.

He (or personally related parties) holds 41,485 nib Holdings shares.

Item 5	Grant of LTI to Mr Fitzgibbon
ASA Vote	For

Summary of ASA Position

This resolution asks shareholders to approve the grant of 200,632 PSRs to Mr. Fitzgibbon. For all of these to vest in 4 years would require a minimum TSR ranking in the 75th percentile and a CAGR in Statutory EPS of 9% to 46.4cps in FY23.

As the number of PSRs awarded were based on the share price face value of \$7.12 and the hurdles are challenging ASA will support this resolution.

The individual (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

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