

## A healthy year for health insurance provider NIB Holdings Limited

<b>Company/ASX Code</b>	nib Holdings Limited/NHF
<b>AGM time and date</b>	11.00am (AEDT) 10 November 2023
<b>Location</b>	Ashurst, Level 9, 5 Martin Place, Sydney NSW 2000
<b>Registry</b>	Computershare
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	Norman Windell assisted by Chad Moffiet
<b>Pre-AGM Meeting</b>	Yes with David Gordon, Chair Jacqueline Chow, Chair of the People and Remuneration Committee and member of the Nomination Committee and the Audit Committee, Amber Jackson, Head of Investor Relations.

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
2	Remuneration Report	For
3	Election of Mr Brad Welsh	For
4	Election of Ms Jill Watts	For
5	Re-election of Mr David Gordon	For
6	Re-election of Ms Anne Loveridge AM	For
7	Approval of Participation in Long-Term Incentive Plan	For

### 2. Summary of Issues and Voting Intentions for AGM

The following are not regarded as major issues but are mentioned as suggested potential improvements in future annual reports.

- A Board Skills Matrix has been provided; however, this indicates in broad terms the ideal skills that are required. It does not show the skills broken down by individual director. It therefore does not show where skills gaps may exist. We suggested that an individual skills matrix be provided in future.
- There are short-term incentive (STI) financial gateways that have to be met but these figures are not divulged. It is suggested that the minimum financial gateway be published in future.
- nib has been audited by PwC since 2004. No PwC partners dealing with nib were caught up in the PwC government scandal. It was noted that the auditors fees have increased significantly since FY22. This was due to the growth of nib, increased compliance and due diligence and advisory services. There is no current plan to go out to tender for Auditing services.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

### 3. Matters Considered

#### Accounts and reports

The impact of the COVID-19 pandemic was significantly reduced, and the year saw numerous indicators of a shift towards post-pandemic settings. Consistent with this nib saw increased claiming especially in the second half of FY23. Group claims expenses increased 6.6% and the deferred claims liability (\$110m) was released in full during the year.

nib Group had another year of good performance across the Group. Total Group Revenue was up 10.9% to \$3.1 billion. Underlying Operating Profit (UOP) was up 11.1% to \$263.2m. This was bolstered by \$54.7m of investment income versus a loss of \$30.0m in investment income in FY22.

This turnaround on investment income helped NPAT to increase by 42.8% to \$191.1m and statutory EPS was up 39.9% to 41.4cps. Investment income includes both actual losses/gains as well as unrealised losses/gains.

Australians Residents Health Insurance (ARHI), which produces 77% of the nib Group revenue had a strong result with a premium revenue increase of 6.1% to \$2.4 billion on net policy holder growth of 4.7%, well above industry standard. However, UOP was down 7.3% to \$222.9m due to lower net margins of 8.9% and increased expenditure on marketing and IT enhancements including cybersecurity and cloud migration.

nib New Zealand also delivered a good revenue result with premium revenue up 13.2% to \$330.4m, the UOP was up by 50.7% to \$34.2m.

The smaller international health insurance and travel insurance businesses saw solid growth in premiums and UOP.

nib's planned entry into the NDIS sector took place during FY23 with the acquisition of four NDIS plan managers and the brand name launch of nib Thrive, which contributed \$14.6m in NDIS fee income and \$3.1m to UOP for FY23. nib raised \$135m via an institutional placement and \$23.1m via a share purchase plan to fund its entry into this sector. In addition, after FY23 yearend Thrive Pty Limited a wholly owned subsidiary of nib holdings limited) acquired 100% of purpose-built technology platform, Kynd (kynd.com.au) via an acquisition of all the issued capital in Kynd Group Pty Ltd. Kynd is a digital marketplace for people who use Australia's National Disability Insurance Scheme (NDIS)

Net debt of \$245.9m was down by 5.7%. The share price increased during the financial year to \$8.45 at 30 June 2023 compared to \$7.38 at 30 June 2022 (+14.5%) and the Board declared a fully franked dividend of 28cps versus 22cps in FY22.

The following are a few of the significant risks as well as the risk appetite and management strategies applicable to each that were identified in the Risk Management section of the Annual Report:

- Claims inflation and affordability
- Government policies and regulations
- Pricing risk
- Cyber security

- Climate change was identified as an emerging risk. This year nib published its Climate-Related Disclosure report in order to clearly outline our climate risk strategy and to improve disclosure of the financial impacts of climate change on the business. nib's TCFD report covers all entities in the Group.

Annualised total shareholder return since listing in 2007 has been 22.1% against ASX 200 of 4.9%.

## Financial performance

(As at FYE)	2023	2022	2021	2020	2019
Net Premium Revenue	2911.5	2703.4	2548.8	2439.6	2340.8
Gross Margin	707.9	637.1	563.3	506.2	529.4
NPAT (\$m)	191.1	133.8	160.5	87.0	149.3
UOP (\$m)	263.2	237.0	204.9	146.9	201.8
Share price (\$)	8.45	7.38	6.51	4.62	7.68
Dividend (cents)	28	22	24	14	23
Simple TSR (%)	18.3	16.7	46.1	(38.0)	37.9
EPS (cents)	41.4	29.6	35.2	19.3	32.9
CEO total remuneration, actual (\$m)	3.4	3.2	2.0	3.7	3.7

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

## Remuneration Report

The Remuneration Report is comprehensive and has well balanced STI's and LTI's linked to financial and non-financial performance and to creating long-term shareholder value.

A large portion of the CEO remuneration is at risk and subject to meeting performance hurdles.

For the CEO the STI is 90% of Fixed Remuneration FR with a maximum of 150% of Target. It is awarded on a combination of 50% financial measures being revenue growth, profitability and EPS and 50% non-financial measures, being member/traveler satisfaction NPS, employee engagement and strategy delivery. For FY 2023 the CEO achieved 86.7% of maximum STI compared to 89.5% for FY2022.

STI is paid in the following year, 50% cash and 50% equity with half of the equity having a 1-year deferral and half having a 2-year deferral.

The MD's Fixed Remuneration (FR) in FY23 was \$1,207,501 (cash plus superannuation) increasing to \$1,250,000 in FY24. +3.5%

Actual STI awarded for FY23 in cash was \$706.4K with a similar amount awarded in deferred equity. Paid Sept 23. This was 130.0% of Target and 86.7% of Maximum.

Long-term incentive (LTI) equal to 125% of FR 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/ASX 200) and 50% against a Statutory EPS Growth Target of 4%-9% CAGR.

In FY 2023 the 4-year TSR ranked at the 64<sup>th</sup> percentile and 78% of the FY2019-2022 TSR tranche vested. The 4-year Statutory EPS CAGR was 5.91% and 61.3% of this tranche vested.

The MD's total actual remuneration in FY 2023 including STI earned in FY 2022 and the value of shares which vested was \$3.4M and the 4-year TSR for shareholders was 34.36%.

nib's auditors, PWC, are of the opinion that the remuneration report complies with section 300A of the Corporations Act 2001.

Overall, this is satisfactory alignment with performance, peer performance, market relativity and Shareholder benefits and ASA will support this resolution.

### **Governance and culture**

We note that the Board Skills Matrix is contained within the Corporate Governance Report but does not attribute skills to directors specifically as recommended by ASA guidelines which would enable investors to assess the skills of individual directors.

### **Key events**

The entry into the NDIS Sector as mentioned above.

### **Key board or senior management changes**

There are 8 Board Members, 5 male and 3 female. This includes two new members to be elected at the AGM and two members including the Chair who are up for re-election at the AGM.

Several changes were made to nib operations to simplify the organisation, improve business performance and reduce operating costs. This included the departure of two senior executives whose responsibilities were shared among the existing executives.

### **Sustainability/ESG**

The 2023 Sustainability Report was prepared in reference to the Global Reporting Initiative Standards 2021. The 2023 Climate-Related Disclosure aligns with the Task Force on Climate-related Disclosures Framework. Both reports can be found on the nib website.

### **Capital raising**

nib's capital raise (announced 12 October 2022) included a share purchase plan (SPP) to address retail shareholder equitability.

Participation limit allowed majority of shareholders the opportunity to participate for at least their pro rata entitlement, minimising dilution.

The SPP price was set as the lower of the institutional placement price and 2% discount to 5-day VWAP.

## 4. Rationale for Voting Intentions

### Resolution 2 - Adoption of the Remuneration Report (for)

The Remuneration Report is readable, transparent, and understandable with a logical relationship between rewards and financial performance.

The Rem Report largely meets all the other ASA criteria with minor exceptions such as the financial gateways for the LTI's not being published. This was largely irrelevant for FY23 as all but one STI were above Target.

### Resolution 3 - Election of Mr Brad Welsh (for)

Brad has spent more than a decade leading and advising global resource companies including Energy Resources of Australia and Rio Tinto, bringing both public sector and commercial skills to his role on nib's Board. Through his senior leadership roles in mining and energy, Brad has focused on operational efficiency, safety and building long-term relationships of trust with key stakeholders including traditional landowners.

Brad is currently the Chief Executive and Managing Director of ASX-listed Energy Resources of Australia Limited (ERA). ERA is a part of the Rio Tinto group of companies which is separately listed and independently managed on the ASX. In the pre-AGM meeting we did question the workload commitment this plus the new nib role represented and were assured that this had been taken into account.

He is a member of the Risk and Reputation Committee and People and Remuneration Committee. He is also a Director of nib health funds limited.

### Resolution 4 - Election of Ms Jill Watts (for)

Jill has more than 40 years' experience leading global businesses. She has worked across the private sector, with governments affecting public policy change, and private research institutes. She has gained significant experience working with companies with operations in Australia, the UK, France, and South Africa. Prior to returning to Australia in 2017, Jill was the Group CEO of the UK's largest private hospital group, BMI Healthcare, responsible for 60 facilities across the UK. Jill was also Group CEO of Ramsay Healthcare, UK. In 2010, Jill was voted the most influential leader in UK private healthcare.

Jill's other current roles are as a Non-Executive Director at St Vincent's Healthcare and Non-Executive Director at Icon Cancer Group. She is also a Board member at Keyton, a retirement villages business, formerly known as Lendlease Retirement Living.

Jill is a member of the Risk and Reputation Committee and Audit Committee. She is also a Director of nib health funds limited.

### Resolution 5 - Re-election of Mr David Gordon (for)

David was appointed to the Board of nib holdings limited in May 2020 and has been the Chair since July 2021. He is also a Director of nib health funds limited.

David has over 30 years' experience as a director of both public and private companies and in corporate advisory roles to Australian and international organisations. He brings extensive knowledge of mergers and acquisitions, as well as capital raisings, IPOs and joint ventures. David

also has a proven track record in guiding businesses to harness their digital asset capability to successfully explore and grow new markets.

His current board commitments with listed entities is as a Non-Executive Director and Chair of Accent Group Limited.

### **Resolution 6 - Re-election of Ms Anne Loveridge AM (for)**

Anne was appointed to the Board of nib holdings limited in February 2017. She is the Chair of the Audit Committee and a member of the Risk and Reputation Committee and Nomination Committee. She is also Chair of nib nz holdings limited’s Audit, Risk and Compliance Committee. In addition, Anne is a Director of nib health funds limited, nib nz holdings limited, nib nz limited and nib nz insurance limited.

She has over 35 years’ of experience in banking, wealth management, private equity and property

### **Resolution 7 - Approval of Participation in the Long Term Incentive Plan (for)**

Please refer to details of the Long Term Incentive in the Remuneration Report section above as well as the comprehensive details provided to nib’s 2023 Notice of Meeting. As these meeting with ASA guidelines, the ASA supports this resolution.

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## **Appendix 1**

### **Remuneration framework detail FY23**

CEO rem. Framework for FY23	Target* \$K	% of Total	Max. Opportunity \$K	% of Total
Fixed Remuneration	1207.5	31.7%	1207.5	26.7%
STI - Cash	543.4	14.3%	905.6	20.0%
STI - Equity	543.4	14.3%	905.6	20.0%
LTI	1509.4	39.7%	1509.4	33.3%
Total	3803.7	100.0%	4528.1	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.  
\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.