



## A Good Outcome in the Year of COVID-19

<b>Company/ASX Code</b>	nib Holdings/ NHF
<b>AGM date</b>	Thursday 5 November 2020
<b>Time and location</b>	1 pm AEDT Virtual Meeting
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoff Orrock
<b>Pre AGM Meeting?</b>	Telecall with Chair Mr Steve Crane

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

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

The industry across Australia and New Zealand experienced another year of challenging market conditions, on this occasion due to the COVID-19 pandemic.

Nevertheless, **nib** had another year of generally good performance across the Group. Group revenue was up 3.5% to \$2.5 billion however Underlying Operating Profit (UOP) was down 25.6% to \$150.1M which includes a provision for deferred claims of \$98.8M. NPAT was \$89.2M and statutory EPS fell to 19.8 cps, both down 40%.

Australians Residents Health Insurance (**arhi**) led the performance adding 1.9% to **nib** membership which was 41.5% of the total private health insurance industry growth. UOP was down 10.6% to \$133.6M.

While **arhi** still accounts for the bulk of **nib** operating earnings, together the three non-**arhi** businesses accounted only 11.0% of UOP in FY 2020 due to falls in UOP of International inbound health insurance, **ihi** and **nib** travel.

The share price experienced a turbulent year and fell from \$7.67 at the beginning of the financial year to \$4.61 at 30 June 2020. The Board declared a fully franked dividend of 14 cps, a decrease of 39% on FY2019.

Net debt of \$233M was unchanged.

### Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	89.2	149.5	133.5	120.2	91.8
UPAT (\$m)	150.1	201.8	184.8	153.7	132.0
Share price (\$)	4.61	7.67	5.73	5.75	4.22
Dividend (cents)	14	23	20	19	14.75
TSR (%)	37.8	37.8	3.1	30	44.3
EPS (cents)	19.8	32.9	29.4	27.2	21.5
CEO total remuneration, actual (\$m)	3.7	3.8	3.6	2.6	1.7

For FY 2020, the CEO's total actual remuneration was **38 times** the Australian Full time AAWTE. Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

<b>Item 2</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	NA		1.143*	28
<b>STI</b> - Cash	NA		0.743	18
<b>STI</b> - Equity	NA		0.743	18
<b>LTI</b>	NA		1.470**	36
Total	NA		4.08	100%

\*includes superannuation

\*\* **LTI** granted at face value

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 KPI's 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. The MD's Fixed Remuneration (**FR**) in FY2020 was \$1.143M. Actual **STI** awarded in cash was \$0.26M with a similar amount awarded in deferred equity. This was 38.6 % 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 2020 the **TSR** ranked at the 86<sup>th</sup> percentile and the FY2016-2019 **TSR** tranche vested fully. The 4 year Statutory EPS CAGR was 17.4% and this tranche also vested fully. The value of **LTI** vested was \$2.039M.

The MD's total remuneration in FY 2020 including actual STI earned and the value of shares which vested was \$3.711M and the 4 year TSR for shareholders was 27.3%.

This is satisfactory alignment and ASA will support this resolution.

<b>Item 3</b>	<b>Election of Mr David Gordon</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr David Gordon was appointed by the Board as Independent Non-Executive Director of the Company in May 2020.

He also a Director of nib health funds limited.

Mr Gordon has over 20 years' experience as a director of both public and private companies and has spent more than 30 years working 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.

He is currently Chair of ASX-listed Accent Group (formerly RCG Corporation) He has also held a number of senior roles with Freehills (Partner) and boutique investment bank Wentworth Associates.

<b>Item 4</b>	<b>Re-election of Ms Lee Auburn</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Ms Auburn was appointed to the Board of the Company in November 2013. She is also a Director of nib health funds limited. She is Chairperson of the People and Remuneration Committee and a member of the Risk and Reputation Committee and Nomination Committee.

With more than 30 years' experience in the pharmaceuticals industry, Ms Auburn has a wealth of knowledge in the global health industry. She is currently a Director of Australian Pharmaceutical Industries Ltd and was previously a Director of SomnoMed Ltd and President of the Pharmacy Foundation at the University of Sydney.

Ms Auburn has an interest in 50,885 nib Holdings shares.

<b>Item 5</b>	<b>Re-election of Ms Anne Loveridge</b>
<b>ASA Vote</b>	<b>For</b>

Ms Loveridge was appointed to the Board in February 2017. She is also a Director of nib health funds limited, the Chairman of the Audit Committee and a member of the Investment Committee, Risk and Reputation Committee and Nomination Committee.

Ms Loveridge is also Chairman of nib nz holdings limited's Audit Committee, nib nz limited's Board, Audit, Risk and Compliance Committee (BARCC) and a Director of nib's New Zealand subsidiaries.

She brings over 30 years' experience in financial services and regulatory reporting to the Board and is a Fellow of the Chartered Accountants Australia and New Zealand (FCA). She is currently a Non-Executive Director of Platinum Asset Management, a Non-Executive Director of National Australia Bank Limited and Chairman of Bell Shakespeare Limited and previously was Deputy Chairman of PricewaterhouseCoopers (PwC) Australia where she held senior positions for over two decades.

Ms Loveridge has an interest in 23,885 nib Holdings shares.

<b>Item 6</b>	<b>Grant of LTI to Mr Fitzgibbon</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

This resolution asks shareholders to approve the grant of 314,792 **PSRs** to Mr. Fitzgibbon. For all of these to vest in 4 years would require a minimum **TSR** ranking in the 75<sup>th</sup> percentile and a CAGR in Statutory EPS of 14% in FY 2024.

As the number of **PSRs** awarded were based on the share price face value of \$4.54 and the hurdles are challenging ASA will support this resolution.

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