



Group operating revenue and profitability offset by reported losses on investment income

Company/ASX Code	nib Holdings/ NHF
AGM date	Friday 18 November 2022
Time and location	11am AEDT Newcastle City Hall
Registry	Computershare
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Norman Windell
Pre AGM Meeting?	Yes

Monitor Shareholding: The individual involved in the preparation of this voting intention has no shareholding in this company.

Proposed Voting Summary

No.	Resolution description	
2	Remuneration Report	For
3	Re-election of Mr Donal O'Dwyer	For
4	Approval of Approval of Participation in Long-Term Incentive Plan	For

Summary of ASA Position

Consideration of accounts and reports - No vote required

The impact of the COVID-19 Pandemic saw a reduction in claims due to a significant reduction in hospital and healthcare treatment. This resulted in short-term increases in operating profitability. The provision for the potential reversal of this reduction in claims post COVID has been increased from \$34m in FY21 to \$110m in FY22.

nib Group had another year of good performance across the Group. Revenue was up 7.2% to \$2.8 billion. Underlying Operating Profit (UOP) was up 14.8% to \$235.3m. This was offset by \$30.0m of reported losses on investment income versus a gain of \$51.8m in investment income in FY21. As a result of the loss on investment income NPAT was down 16.6% to \$133.8m and statutory EPS was down 15.9% to 29.6cps. Investment income includes both actual losses as well as unrealised losses. Continued COVID-19 member and community support package now at \$100m.

Australians Residents Health Insurance (**arhi**), which produces 82% of the **nib Group** revenue had a strong result with a revenue increase of 5.2% to \$2.3billion on net policy holder growth of 3.2%. UOP was up 12.3% to \$240.5m. nib New Zealand also delivered a good revenue result with

premium revenue up 12.8% to \$291.8m, increased expenses saw the UOP down by 5.8% to \$22.7m. Prior year COVID-19 related losses in the smaller international health insurance and travel insurance businesses were reduced significantly. Net debt of \$260.9m was up by 12.3%.

The share price recovered during the financial year to \$7.38 at 30 June 2022 compared to \$6.51 at 30 June 2021 (+13.4%) and the Board declared a fully franked dividend of 22cps versus 24cps in FY21.

During the year nib acquired Kiwi Insurance Limited, now renamed nib nz insurance limited, for a final purchase price of \$41.9m and commenced underwriting and distributing life and living insurance in New Zealand.

The following significant risks were identified in the Risk Management section of the Annual Report:

- Cyber Security. Attained ISO 27001 certification for cybersecurity processes.
- Claims inflation
- Interest rate risk

Summary

(As at FYE)	2022	2021	2020	2019	2018
Net Premium Revenue	2703.4	2548.8	2439.6	2340.8	2162.6
Gross Margin	637.1	563.3	506.2	529.4	468.3
NPAT (\$m)	133.8	160.5	87.0	149.3	133.5
UPAT (\$m)	235.3	204.9	146.9	201.8	184.8
Share price (\$)	7.38	6.51	4.61	7.67	5.73
Dividend (cents)	22	24	14	23	20
Simple TSR (%)	18.9	46.4	(38.1)	37.3	3.1
EPS (cents)	29.6	35.2	19.3	32.9	29.4
CEO total remuneration, actual (\$m)	3.2	2.0	3.7	3.7	3.6

For FY22, the CEO's total actual remuneration was **31.5 times** the Australian Full time AAWTE. STI paid in FY22 is for the FY21 year. LTI is the face value of shares on the exercise of performance rights.

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.

Adoption of Remuneration Report - For

CEO rem. framework	Max. Opportunity \$m	% of Total
Fixed Remuneration*	1.207	28
STI - Cash	0.754	18
STI - Equity	0.754	18
LTI **	1.509	36
Total	4.224	100%

*includes superannuation

** **LTI** allocated at face value

The Remuneration Report is comprehensive and has well balanced **STI**'s and **LTI**'s linked to performance, peer performance and shareholder benefits.

Short-term incentive (**STI**) of 125% of TFR is awarded on a combination of 50% financial measures, being revenue growth, profitability and cost control and 50% non-financial measures, being member/traveler satisfaction, employee engagement, safety and other role-specific measures. For FY22 the CEO achieved 89.5% of maximum **STI** compared to 76.5% for FY21 **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 (**TFR**) in FY22 was \$1,149.7K (Cash plus Superannuation). Actual **STI** awarded in cash was \$655.6K with a similar amount awarded in deferred equity.

Long-term incentive (**LTI**) equal to 125% of **TFR** 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 FY22, the 4-year **TSR** ranked at the 80th percentile and 100% of the FY18-21 **TSR** tranche vested. The 4 year Statutory EPS CAGR was 0.17% and 0% of this tranche vested.

The MD's total actual remuneration in FY22 including **STI** earned in FY21 and the value of shares which vested was \$3.2m and the 4 year **TSR** for shareholders was 52.8%.

Nib's market capitalization is \$B3.3. Based on the above Max. Opportunity remuneration numbers, the following is the alignment with the Godfrey Remuneration Guide. Numbers are for Projected FY23, All sectors, median.

Component	nib CEO Max \$K	Market Cap. \$2 to \$5 billion \$K	Market Cap \$3.5 to \$k7.5 billion \$K
Fixed Pay (FP)	1207	1190	1482
Fixed Pay + STI's	1961	2091	2598
Total Remuneration TPR	4224	2624	3228

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

Re-election of Mr Donal O'Dwyer – For

Mr O'Dwyer was appointed to the Board of nib holdings limited in March 2016, retires from office at the AGM and being eligible, offers himself for re-election as a Non-Executive Director.

He is Chair of the Investment Committee and a member of the Audit Committee, People and Remuneration Committee and Nomination Committee.

He also a Director of nib health funds limited.

Mr O'Dwyer has a deep knowledge of the health industry globally after more than 35 year in senior executive and non-executive director roles.

He is also a non-executive director of Fisher & Paykel Healthcare Corporation Ltd.

Mr O'Dwyer has an interest in 41,485 shares in the Company.

Grant of LTI to Mr Fitzgibbon - For

This resolution asks shareholders to approve the grant of 189,748 **PSRs** to Mr. Fitzgibbon for the financial year commencing 1 July 2022 based on 125% of Mr Fitzgibbon's total fixed remuneration and a Strike Price of \$7.9546. (Strike Price = Volume weighted average price for nib shares for the first 10 trading days following the announcement of the full year financial results) A maximum opportunity of \$K1,509.4 For all of these to vest in 4 years would require a minimum **TSR** ranking in the 75th percentile or above and a CAGR in Statutory EPS of 10% or above in FY26.

As the number of **PSRs** awarded were based on a share price face value of \$7.9546 (as shown above) and the hurdles are challenging and would be beneficial to Shareholders the ASA will support this resolution.

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Appendix 1

nib provided the slide below relating to ASA's 2022 focus issues for our pre-AGM meeting. We note the [board skills matrix](#) is a work in progress, with this comment included above it in the Corporate Governance Report "nib's Board skills matrix will continue to develop as nib's strategy develops." We encourage the company to add a table showing which directors contribute which skills and experience to the board. At this time there is a statement "All areas of nib's skills matrix are currently well represented on the nib Board."

nib alignment with ASA 2022 focus issues

Fair treatment of shareholders

- nib's capital raise (announced 12 October 2022) includes a share purchase plan (SPP) to address retail shareholder equitability
- Participation limit allows majority of shareholders the opportunity to participate for at least their pro rata entitlement, minimising dilution.
- SPP price set as the lower of the institutional placement price and 2% discount to 5-day VWAP.

Directors and Boards:

- Updated Board skills matrix included in our 2022 Corporate Governance Statement available at nib.com.au/shareholders/company-profile/corporate-governance.

ESG

- 2022 Sustainability Report was prepared in reference to the Global Reporting Initiative Standards 2021.
- Inaugural Task Force on Climate-related Financial Disclosures Report published for 2022.
- nib's suite of sustainability reports are available at nib.com.au/sustainability.

Remuneration

- nib's 2022 Remuneration Report included increased disclosure on achievement of STI outcomes.
- nib's Long Term Incentive Plan has a four-year performance period.

