

Southern Cross Medical Care Society

Notice of Annual General Meeting – 7 December 2021

The Annual General Meeting of Members of the Southern Cross Medical Care Society

Date of the Meeting

Tuesday, 7 December 2021

Time of the Meeting

Commencing at 2.30 pm (NZDT)

About this Document

This Notice of Annual General Meeting is an important document and requires your attention. It should be read in its entirety. It has been prepared to advise you of the upcoming Annual General Meeting (or Meeting) of Southern Cross Medical Care Society and to assist you in understanding the resolutions to be put to members for consideration at the Meeting. The Board encourages you to read this Notice of Annual General Meeting and exercise your right to vote.

Dear Member,

The Board of Southern Cross Medical Care Society (Health Society) invites you to attend the 2021 Annual General Meeting of the Health Society. Given the ongoing impacts of the COVID-19 pandemic, this year's Annual General Meeting will be held virtually via an online platform on Tuesday, 7 December 2021 commencing at 2.30 pm (NZDT).

Instructions and further details on how to participate in the virtual Annual General Meeting are set out in the Explanatory Notes in this Notice of Meeting and the accompanying Virtual Meeting Guide. The Health Society Board and Management look forward to welcoming you to the 2021 Annual General Meeting.

On Behalf of the Health Society Board



Greg Gent
Chairman

Order of Business

- A. **Chairman's Address**
- B. **Chief Executive's Address**
- C. **Annual Report and Financial Statements**

To receive the Health Society's Annual Report and Financial Statements for the year ended 30 June 2021 (including the auditor's and appointed actuary's reports).

- D. **Ordinary Resolutions**

Members will be asked to consider and if thought fit, pass the following ordinary resolutions:

Re-election of Director

Resolution 1: To re-elect Roger France as a Director of Southern Cross Medical Care Society.

Re-appointment of Trustee

Resolution 2: To re-appoint Roger France as a Trustee of Southern Cross Medical Care Society.

Appointment of Trustee

Resolution 3: To appoint Murray Jordan as a Trustee of Southern Cross Medical Care Society.

Election of Directors

Resolution 4: To elect Chris Black as a Director of Southern Cross Medical Care Society.

Resolution 5: To elect David Bridgman as a Director of Southern Cross Medical Care Society.

Director Remuneration

Resolution 6: That the annual total pool for Directors' remuneration be increased by \$150,200 to \$650,000 per annum, with the increase taking effect from 1 January 2022, and an additional one-off amount of \$40,000 to be approved for use where required, to remunerate an extra Director for a transitional period.

- E. **General Business and Member Questions**

Further information relating to the resolutions is set out in the Explanatory Notes accompanying this Notice of Meeting.

Explanatory Notes

Virtual Meeting and Questions

This year, due to the uncertainty of the status of the COVID-19 pandemic (particularly in relation to meeting size, travel and risk to health), the Annual General Meeting will be held online only.

All members will have the opportunity to attend the Annual General Meeting online through the Computershare Meeting Platform using a computer, laptop, tablet or smartphone – simply visit <https://meetnow.global/southerncross> and then click 'JOIN MEETING NOW'. The Meeting will open for registration 30 minutes prior to the start of the Meeting. By using the Meeting platform, you will be able to watch the Meeting, vote and ask questions online using your smartphone, tablet or desktop device. You will need the latest version of Chrome, Safari, Firefox or Edge to access the Meeting. Please ensure your browser is compatible. Audio will stream through your selected device, so please ensure the volume control on your headphones or device is turned up.

If you are a member, you will also need your Member Access Number and Post Code, which can be found on your email invitation (where applicable). Instructions on how to participate 'virtually' are provided in the accompanying Virtual Meeting Guide.

Members will be able to vote on the resolutions and will have the ability to ask questions on their selected devices. The main themes for questions may be aggregated and then responded to at the Meeting, provided that the Health Society reserves the right not to address questions that, in the Chairman's opinion, are not reasonable or appropriate in the context of an Annual General Meeting.

Members will still be able to appoint a proxy to vote for them, as they otherwise would, by following the instructions in this Notice of Meeting.

If you have any questions on, or need assistance with, the online process, please contact Computershare on +64 9 488 8777 between 8.30 am and 5.00 pm (NZDT) Monday to Friday.

Annual Report

The Annual Report and Financial Statements (including the auditor's and appointed actuary's reports), can be viewed online before the Meeting at <https://www.southerncross.co.nz/group/about-southern-cross/society>.

RESOLUTION 1: Re-election of Director

Under the Rules of the Health Society (registered on 17 December 2015) (Rules), rule 7.4 requires two Directors to retire at each Annual General Meeting. The Directors required to retire are those Directors who have been longest in office since their last appointment.

If the Directors are eligible, they may offer themselves for re-election at that Annual General Meeting.

To be eligible to hold office as a Director of the Health Society, an individual must meet and continue to meet the requirements of the fit and proper standard¹, the Rules and any other applicable law, and must not otherwise be disqualified. In addition, the majority of Directors must be ordinarily resident in New Zealand and not registered medical practitioners.

Directors Greg Gent and Roger France are the two Directors from the current Board who have been longest in office since their last appointment. They will retire by rotation at the Meeting. Director Greg Gent will not seek re-election. Director Roger France, being eligible for re-election at the Meeting and having been nominated by the Board, will stand for re-election (refer to page 6 for Director profiles).

1. Under the Rules, 'fit and proper standard' means any fit and proper standards applicable to the Health Society issued by the Reserve Bank of New Zealand under section 36 of the Insurance (Prudential Supervision) Act 2010 and/or the Health Society's Fit and Proper Policy approved by the Board from time to time.

RESOLUTION 2:

Re-appointment of Trustee

Under the Rules, there are three Trustees in total for the Health Society and each Trustee must also hold office as a Director of the Health Society.

At each Annual General Meeting, rule 6.2 requires that the Trustee who has been longest in office will retire. If the Trustee is eligible, they may offer themselves for re-appointment at that Annual General Meeting. To be eligible to hold office as a Trustee of the Health Society, an individual must not be disqualified from being appointed or holding office as a Director of the Health Society.

The role of the Trustee of the Health Society is different to Directors. All property belonging to the Health Society vests in the Trustees who hold this property in trust for the benefit of the Health Society and its members. Trustees are nominated from among the Directors and elected by members, and receive no additional remuneration for this role.

Director Roger France was first appointed as a Trustee in 2016. This year Roger France retires by rotation and has been nominated by the Board for re-appointment.

The Board supports the re-election and re-appointment of Roger France as a Director and Trustee, and recommends that members vote in favour of Resolutions 1 and 2.

RESOLUTION 3:

Appointment of Trustee

The Rules of the Health Society provide that there will be three Trustees. Trustees are nominated from among the Directors and elected by members. As noted, Trustees receive no additional remuneration for the role.

There is one Trustee vacancy this year following the retirement of Director Greg Gent, and the Board has nominated Director Murray Jordan as the candidate for this vacancy. Murray Jordan will assume the role of Chairman of the Health Society Board effective from the close of the Meeting. If supported, Murray Jordan's appointment as a Trustee will also take effect from the close of the Meeting.

The Board supports the appointment of Murray Jordan as a Trustee and recommends that members vote in favour of Resolution 3.

RESOLUTIONS 4 AND 5:

Election of Directors

The Board regularly reviews its skills and experience against the Board's requirements, having regard to the Health Society's business and its strategic focus and needs. The Board is conscious to ensure that it collectively has an appropriate mix of skills, knowledge, experience, and diversity to enable the Board to meet its responsibilities and to bring different perspectives to Board discussions. A balance is sought between Directors with experience and knowledge of the insurance and health sector, the history and operations of the Health Society, and new Directors who bring fresh thinking, and new skills and experience.

In noting the retirement of Director Greg Gent and additionally Director Keith Taylor at the Meeting, the Board undertook a robust and thorough search for Director candidates to fill the vacancies. As a result, Chris Black and David Bridgman have been identified and nominated by the Board in accordance with the Rules, as Director candidates (with their respective profiles set out on page 6) and if appointed, their appointment will take effect from the close of the Meeting. The Board believes David Bridgman and Chris Black will each make a significant contribution to the Health Society and complement the skill set of current Directors.

The Board supports the election of Chris Black and David Bridgman as Directors and recommends that members vote in favour of Resolutions 4 and 5.

RESOLUTION 6:

Director Remuneration

In accordance with rule 7.8, it is proposed that the annual total pool for Directors' remuneration be increased by \$150,200 to \$650,000 per annum, and a one-off additional amount of \$40,000 be approved for use to remunerate an extra Director for a transitional period during 2022.

Director remuneration was last reviewed in 2017 and at that time, the Board considered it appropriate to review Directors' remuneration on a three-yearly cycle thereafter. Given the disruption with COVID-19 in 2020, the Board deferred its review of remuneration until 2021.

If approved, the new remuneration pool will take effect from 1 January 2022 and will remain in place for the next two years, noting it is the Board's intention going forward, to review Director remuneration every two years.

In accordance with the Director Remuneration Policy, Directors' remuneration should align to a '*median level for Directors of New Zealand organisations that are of a comparable size and complexity*'. Consistent with the Director Remuneration Policy, the Board has signalled that it would have regard to the benchmarking data of entities similar to that of the Health Society and Director workloads and responsibilities. To assist with this, the Board engaged Strategic Pay to provide an independent report on the Health Society's current Directors' remuneration, utilising its data base of remuneration information in New Zealand. The purpose of the report was to benchmark the remuneration paid to the Health Society Directors against an industry peer group selected on the basis of comparable features.

Following this benchmarking process, the Board proposes an increase in Director remuneration, the last of which was in 2017.

The amount of the increase is consistent with Strategic Pay's recommendation, which notes that Directors are currently being paid below the median level. While conscious of the obligation to ensure Directors' remuneration is set and managed in a manner which is fair, flexible and transparent, the Board believes that an appropriate fee structure set at a median level will assist the Health Society in maintaining the skills and experience at Board level to govern the business and enhance the long-term strategic direction.

The table below sets out current Directors' fees as allocated in accordance with the remuneration pool last approved in 2017, compared with Strategic Pay's recommended median market fee ranges, following its benchmarking exercise. Also noted is the manner in which the Board proposes to allocate any newly approved pool. The recommendation is consistent with the Health Society's Director Remuneration Policy.

The Rules of the Health Society do not allow for the 'grossing up' of remuneration with the introduction of an extra Director. Accordingly, an additional one-off amount of \$40,000 is being sought to remunerate an eighth Director for a transitional period during 2022. The rationale for carrying an additional Director for part of 2022, is to better phase the appointment of a new Director. It is important to balance Board composition, with Directors who have the history, experience and knowledge of the Health Society's operations, with new Directors. The retirement of longstanding Directors Greg Gent and Keith Taylor, and Director Roger France in 2022, and the subsequent addition of three new Directors in less than 12-months, is material for the Board. Having an eighth Director for a period during 2022, will assist with that transition, ensuring the continued success of the Health Society Board.

Role & Committee	Current Fees Based on 2017 Approval (Note 1)	Strategic Pay Recommended Median Market Fee Ranges (Note 2)	Proposed Allocation of Fees Effective 1 January 2022 (Note 1)
Chair (no committee fees payable)	\$116,000	\$125,000 to \$180,000	\$148,000
Director	\$58,000	\$68,000 to \$80,000	\$74,000
Chair of Audit and Risk Committee	\$6,000	\$10,000	\$10,000
Member of Audit and Risk Committee	\$3,000	\$5,000	\$5,000
Chair of Remuneration, People and Culture Committee	\$4,000	\$9,500	\$9,500
Member of Remuneration, People and Culture Committee	\$2,000	\$4,500	\$4,500
Chair of Investment Committee	\$5,000	\$9,500	\$9,500
Member of Investment Committee	\$2,500	\$4,500	\$4,500
Chair of Nomination Committee	N/A	N/A	No fees (Note 3)
Member of Nominations Committee	\$1,000	N/A	No fees (Note 3)

Note 1 The current 2017 approved pool is \$499,800. Under rule 7.8(a), while remuneration is to be approved by members, the Board maintains discretion to allocate the approved remuneration pool as it determines. Within the table, all amounts are in New Zealand Dollars.

Note 2 See a summary of the Strategic Pay Report at www.southerncross.co.nz/agm

Note 3 Going forward, there will be no separate remuneration for the Nominations Committee chair or members.

Director and Trustee Profiles



Roger France

ONZM, BCOM, FINSTD, FCA

Roger was elected to the Health Society Board in 2014 and is chair of the Investment Committee. He is a professional non-executive director and chartered accountant and the chair of Tappenden Holdings, a trustee of the University of Auckland Foundation and an advisory panel member of Next Foundation. Roger's past board appointments include Fonterra, Orion Health, Air New Zealand, Fisher and Paykel Healthcare, Blue Star Group and Team New Zealand. He was Chancellor of The University of Auckland between 2009 and 2012. Roger is a Fellow of both the New Zealand Institute of Directors and Chartered Accountants Australia and New Zealand.



Murray Jordan

MPROP

Murray joined the Health Society and Southern Cross Health Trust (and subsidiary) Boards in 2019. He is a former Managing Director of Foodstuffs North Island – one of New Zealand's largest businesses – and an experienced company director. Murray currently serves on the Boards of Metlifecare, Starship Foundation, Chorus, Metcash (an ASX listed company) and the Stevenson Group.

Murray will assume the role of Chairman of the Health Society, effective from the close of the Annual General Meeting.



Chris Black

CA, DIP. ACC, B. SURV

Chris has been Chief Executive of member based FMG since December 2008 and was an independent director of FMG prior to this. With a strong belief in the value of member-owned organisations, Chris has a wealth of experience in financial services, with particular expertise in corporate strategy, customer service, joint ventures, and financial and risk management. Chris was also a member of the Insurance Council of NZ (ICNZ), including a three-year appointment as the ICNZ President, and was a Commissioner of the Insurance & Financial Services Ombudsman (IFSO) Scheme and board member of BNZ Life Insurance. Chris currently serves as the vice-chair of the International Co-operative & Mutual Insurance Federation.



David Bridgman

MCOM, LLB, MINSTD, ACA

David is an experienced adviser in the corporate finance and restructuring areas. He retired from PwC at the end of 2020 after 22 years as a partner. David has worked extensively with many of New Zealand's leading cooperatives and mutual organisations. David currently chairs several private companies and now provides corporate finance and strategic advisory services on his own account. David has previously provided advisory services to the Health Society and the Southern Cross Health Trust. David is a Chartered Accountant and a Member of the Institute of Directors.

Procedural Notes and Other Information

Persons entitled to vote

Qualified Members (which means a fully paid-up member in respect of whom an adult premium is paid) are entitled to cast one vote in respect of each of the resolutions.

Voting at the Annual General Meeting will be, as has been the practice in the past, by way of poll.

Options on how to vote and proxy appointments

Votes may be cast by or on behalf of Qualified Members as follows:

- Attending the virtual Meeting and voting at the Meeting electronically;
- Casting a postal vote by electronic means; or
- Appointing a proxy by electronic means to virtually attend the Meeting and vote in the Qualified Member's place.

Electronic postal votes and proxy appointments

To lodge an electronic postal vote or appoint a proxy, a Qualified Member must access the relevant unique link in the electronic communication (sent to the email address, held by the Health Society for that Qualified Member).

After accessing that unique link, the Qualified Member may elect to cast an electronic postal vote on each of the resolutions by selecting the voting preference, indicating how that Qualified Member wishes to vote.

To be valid, that electronic postal vote must be cast no later than 2.30 pm (NZDT), Sunday 5 December 2021.

The Secretary for the Health Society is authorised by the Board to receive and count electronic postal votes at the Meeting, in accordance with rule 13.13(b).

If a Qualified Member prefers to electronically appoint a proxy for the Meeting, they may do so (after accessing their unique link) by clicking on the 'Appoint a Proxy' box, entering the requested details of the proxy and selecting where indicated to submit that appointment. If a Qualified Member does not select any voting preference, or clicks 'Proxy Discretion' in respect of a resolution, the proxy will be entitled to vote as they see fit on that resolution.

To be valid, an electronic proxy appointment must be submitted no later than 2.30 pm (NZDT), Sunday 5 December 2021. A proxy need not be a Qualified Member of the Health Society but, in order to vote at the Meeting, must attend the Meeting virtually.

Voting Preferences and Restrictions

The Chairman of the Meeting, or any other Director, is willing to act as a proxy on behalf of Qualified Members who wish to appoint them for that purpose. The Chairman of the Meeting and Directors who act as proxies on behalf of Qualified Members intend to vote any Proxy Discretion in favour of Resolutions 1 to 5.

For Resolution 6, relating to Director remuneration, the Health Society will disregard any votes cast in favour of Resolution 6 by any Director, other than where any such vote is cast by a Director as proxy for a person who is entitled to vote and does so in accordance with the express directions of the Member, to vote "For" Resolution 6.

Ordinary Resolution

All resolutions will be passed if approved by ordinary resolution at the Meeting. An ordinary resolution means a resolution passed by a simple majority of the votes of those Qualified Members entitled to vote and voting on the resolution.

We're with you