

# Director Remuneration Review 2017

This document provides additional background to the proposed Director Remuneration increase being put to the Southern Cross Medical Care Society AGM on 6 December 2017. It should be read in conjunction with the information set out in the Notice of Meeting.

## The Director Remuneration Policy

The subject of Director remuneration was raised with members by the Board at the 2013 Annual General Meeting. At that time remuneration for the Society's Directors had remained unchanged since 1997 but, prior to addressing the question of whether it should increase, the Board felt it was important to identify a fair approach and process to determine the appropriate level of remuneration for Society Directors.

Subsequently, in 2014, the Board initiated a consultation process with members and representative organisations, including the Institute of Directors and the New Zealand Shareholders' Association, to get input and feedback on a draft policy.

The outcome of this consultation was the Director Remuneration Policy that sets out the Key Principles, Rationale and Processes for three-yearly Director remuneration reviews. This Policy was then used in a 2014 review of Director remuneration and was used again this year to guide the 2017 Director remuneration review.

## The 2017 Review

The Board asked its Nomination Committee to commence a remuneration review in early 2017.

In accordance with the Policy, the Committee sought market data from Strategic Pay Limited, an independent, Auckland-based, remuneration consultancy. Strategic Pay undertakes an annual survey of Board remuneration at numerous New Zealand commercial entities, the results of which enable Southern Cross to benchmark itself against businesses of a similar size and complexity. The Committee also accessed other statistical data from the Institute of Directors regarding director remuneration, and from the Reserve Bank of New Zealand regarding general wage inflation.

The various benchmarks indicated average increases in a range of between 5% and 8% over the previous three years.

The Nomination Committee considered this data in the context of the Director Remuneration Policy principles and subsequently recommended to the Board that a resolution be put to the 2017 AGM proposing an increase in the Southern Cross Health Society Director fee pool of 5% (from \$476,000 to \$499,800 per annum). That recommendation was adopted at the Board's June meeting.

## The Rules

The Rules of the Society state that "The remuneration of the Directors shall from time to time be determined by the Society in General Meeting and failing such determination shall remain at the rate of remuneration last determined" (Rule 7.8 (a)). This means that a majority of votes cast at the AGM must be in favour of resolution 4, or the current remuneration level will remain in place.