

Director Remuneration Policy

Purpose

To outline the approach taken by the Board in determining the appropriate level of remuneration for non-executive Directors of the Southern Cross Medical Care Society (Society).

Key principles

Director remuneration plays a role in attracting and retaining appropriately qualified and experienced individuals to serve on the Society Board.

The Society is also a not-for-profit, member driven, mutual organisation and, as such, should demonstrate moderation in Director remuneration.

To balance these factors, the Society will set Director remuneration at or below median levels for Directors of New Zealand businesses that are of a comparable size and complexity.

Market rates and medians will be established through consultation with independent experts in the field of director remuneration during periodic reviews initiated by the Board.

Rationale

The Society is a significant financial institution that provides healthcare funding for hundreds of thousands of New Zealanders. It is of paramount importance that the business is effectively and professionally governed, in order to deliver the best possible long term value for Society members.

Furthermore, as a licensed insurer subject to prudential requirements under the Insurance (Prudential Supervision) Act 2010, the Society must ensure its Directors have the skills and experience reasonably expected for the role. This will include governance experience with comparable and substantial commercial organisations and a range of additional attributes outlined in the Society's Fit and Proper Policy.

It is the Board's expectation that prospective Directors will be attracted to the Society for reasons other than remuneration (such as the opportunity to contribute to an important and iconic, member-based, New Zealand organisation). Nevertheless, remuneration levels should acknowledge the significant risks and responsibilities that Directors bear, and that time spent in the Society's service could otherwise be used by Directors in alternative Board appointments or professional activities.

Processes

As required by the Society's Rules, the total remuneration pool payable to Directors is limited to the amount approved by Members from time to time in a General Meeting.

Any Board-initiated General Meeting proposal to increase the size of the pool will be based on a thorough review of market trends, and the application of the principles contained in this policy.

The Board will ask its Nomination Committee to review Director remuneration at least every three years (or at such earlier time as the Board may deem appropriate to take account of changing circumstances).

Each review will incorporate a report on director remuneration market data from at least one independent organisation with expertise in non-executive director remuneration. The Nomination Committee may also seek and consider other relevant information in reaching its recommendations to the Board, including input from representative organisations with an interest in Director remuneration (such as the Institute of Directors or the Shareholders Association).

In accordance with the Society's Rules:

- The Board will determine from time-to-time how the total remuneration pool will be divided among Directors to reflect a) the general duties and responsibilities of a Director and b) additional workload associated with a Director's roles on Board standing committees. The Chairman's remuneration will also be payable from the total remuneration pool and will reflect the significant additional workload and responsibilities associated with the role.
- In addition to the Directors' total remuneration pool approved by Members:
 - Directors may be reimbursed for actual and reasonable expenses associated with performance of their role
 - Directors may in rare and exceptional circumstances receive payments for undertaking work not in their capacity as a Director or that is additional to what is normally required of a Society Director. Any and all such payments will be subject to Board approval.

In accordance with standard accounting practice, any remuneration paid to Directors (excluding reimbursement of expenses) will be disclosed in the Society's Annual Report.

Policy review

This policy will be reviewed three yearly to ensure it remains appropriate to the needs of members and the commercial environment in which the Society operates.