

Agenda Item 8: Director Remuneration Annual General Meeting on 15 November 2024

Ordinary Resolution – Approval to Increase Non-Executive Directors' Remuneration Pool.

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

"That, for the purposes of Clause 11.2 of the Constitution, members approve the increase of the maximum total aggregate amount of fees payable to non-executive Directors from \$32,548 to \$80,000 per annum on the terms and conditions set out in the Explanatory Memorandum".

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to members in deciding whether to pass the Resolution.

General

The Company's Constitution provides that the maximum amount of Approved Fees (Non-Executive Director Fee Pool) to be paid to the Directors will be determined, and may be varied, by ordinary resolution of the Members. The Non-Executive Director Fee pool is currently \$32,548 per annum which was last increased in November 2023 by the Australian Bureau of Statistics, All Groups Consumer Price Index for Sydney as allowed for by the Constitution. This resolution seeks the approval of Members to increase the Non-Executive Director Fee Pool to \$80,000¹ per annum for the purposes of Clause 11.2 of the Constitution.

Rationale for the increase

The company undertakes regular reviews of the fees paid to non-executive directors to ensure that the Company maintains the ability to pay eligible² Non-Executive Directors remuneration at a level that is commensurate with market rates and as necessary to attract and retain directors of the highest calibre. The performance, duties and responsibilities of each director, along with a market comparison of remuneration rates are all considered as part of the review process. Directors **do not** receive any other form of benefit from the company such as fringe benefits or subsidised health insurance.

The proposed Non-Executive Director Fee pool took into consideration a number of external remuneration surveys which compared current remuneration levels for the eligible Non-Executive Director's against other health funds, similar sized organisations in the profit to member and not for profit sectors along with other ASX listed organisations.

The Company is proposing to increase the Non-Executive Director Fee Pool to align with the outcomes from the Governance Institute of Australia and McGuirk Consulting 2024 Australian Board Remuneration Survey, which identified the median remuneration level paid by Not for profit entities with assets of between \$20m and \$40m.

¹ The Non-Executive Director Fee pool allows up to four eligible Directors to be remunerated with an annual Director fee of \$20,000. In the past three financial years, only \$17,997 has been used in total of this pool collectively.

² Directors who are currently not employed in a full-time capacity or are on unpaid leave are eligible for Non-Executive Director fees.

In recent years there have been considerable additional demands placed on directors due to increased regulatory requirements from APRA including the introduction of several Prudential Standards that now apply to Private Health Insurers in addition to a number of new Standards coming into effect over the next 12 months which will require increased Board oversight and governance to adhere to these additional regulatory requirements. The increased remuneration will assist with the increasing Board workload and to provide for Director succession planning.

Due to the demands placed on directors the level of remuneration needs to be sufficient to attract highly qualified and committed directors.

It is in members' interests to remunerate eligible Directors appropriately in order to attract highly qualified and committed directors to serve on the Board of your Health Fund. Remuneration should reward directors for the time they dedicate to, and the value they add to the organisation, as well as reflecting their extensive duties and the legal liability assumed on behalf of Members.