

**2018  
CORPORATE  
GOVERNANCE  
STATEMENT**

# CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2018

The nib Board and management are committed to achieving and demonstrating the highest standards of corporate governance and ensuring compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (ASX Governance Principles).

The Board is dedicated to, and responsible for, actively promoting ethical and responsible decision making and practices at nib to ensure that practices are in place to maintain confidence in nib's integrity.

This Corporate Governance Statement summarises nib's corporate governance practices for the period 1 July 2017 – 30 June 2018 and addresses each of the principles and recommendations made in the ASX Governance Principles. It was approved by the Board on 25 July 2018.

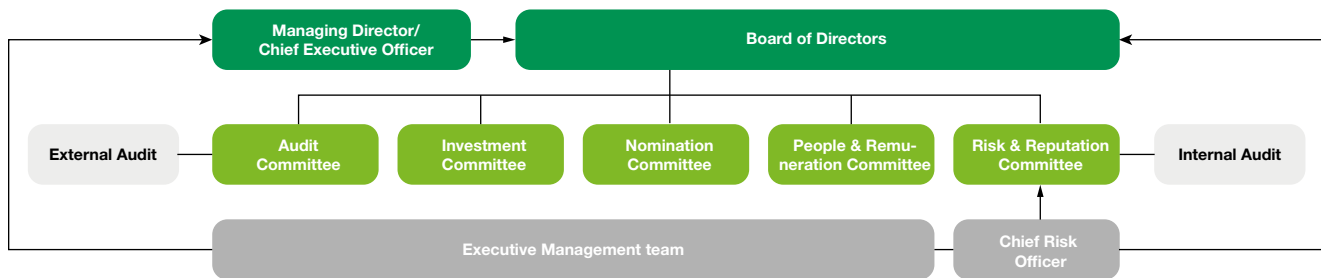
## Principle 1. Lay solid foundations for management oversight

### 1.1 Role of Board and Management

A listed entity should disclose:

- a) the respective roles and responsibilities of its board and management; and
- b) those matters expressly reserved to the board and those delegated to management.

The nib Board has a number of important responsibilities under the Corporations Act, ASX Listing Rules and nib's Constitution. The diagram below summarises the relationship between the nib Board and Committees, management and nib's assurance functions.



The respective roles and responsibilities of the nib Board and management are identified in the following ways.

### Board Charter

The nib Board is responsible for the governance of the nib Group. The Board Charter sets out the roles and responsibilities of the Board, the responsibilities that have been delegated to committees of the Board or to management, as well as the membership and the operation of the Board. The Board Charter is available in the Corporate Governance section of our website, [nib.com.au](http://nib.com.au), or can be accessed directly by clicking [here](#).

Specifically, the Charter reserves the following responsibilities to the Board:

- overseeing the development of nib's strategy;
- oversight of management;
- ensuring effective shareholder communication and the exercise of shareholder rights;
- monitoring environmental, employment and WHS policies, and policies governing nib's relationship with other stakeholders;
- actively promoting and continually reinforcing the company values and desired culture of acting lawfully, ethical business practices, responsible decision making and monitoring compliance with nib's Code of Conduct;
- monitoring the performance of sustainability initiatives and reporting of social, environmental and ethical impacts of nib's business practices on stakeholders including, but not limited to, customers, employees and community;
- oversight of financial and capital management; and
- compliance and risk management.

### Board Committee Charters

The nib Board currently has five standing Board Committees ([Audit Committee](#), [Risk and Reputation Committee](#), [People and Remuneration Committee](#), [Nomination Committee](#), and the [Investment Committee](#)). The Board has delegated certain responsibilities to these standing Committees. The details of their responsibilities are set out in the Committee charters.

The Committee charters are available in the Corporate Governance section of our website, [nib.com.au](http://nib.com.au), or by clicking on the name of the relevant committee in the paragraph above.

### Delegation of Authority

The Chief Executive Officer/Managing Director of nib has the delegated authority of the Board to manage the day-to-day operations of the business. The Chief Executive Officer/Managing Director has, in turn, approved sub delegations of authority for nib management. Any matters that fall outside of the delegations of authority must be brought to the Board for its approval.

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#### 1.2 Background checks/information given for election of directors

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a director; and
  - b) provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
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nib has adopted a set of desired competencies for the appointment of directors to the Board. These capabilities include general corporate attributes, industry specific attributes and personal attributes.

In accordance with the Nomination Committee Charter, the Committee is to meet as frequently as required to perform its function but at least once a year to review its composition including the size of the Board, the number of independent directors and the mix of skills, experience and diversity of directors.

The current composition of the Board reflects nib's policy of having at least three independent, non-executive directors with appropriate expertise and experience to deal with current and emerging issues for nib.

#### ***Selection and Appointment of Directors***

When a vacancy on the Board arises, the Nomination Committee uses an external executive recruitment agency to identify a short list of non-executive directors who can bring appropriate skills, experience and expertise and an independent judgment on the strategy and performance of nib.

The shortlists of candidates are interviewed by the Chairman of the Board, the People and Remuneration Committee Chairman and any other Non-Executive Director as considered appropriate. Candidates with the skills, experience and expertise that best complement the Board's existing skills and experience are then recommended to the Board. Prior to appointment, nib engages an external professional body to undertake background checks (including criminal checks) of directors.

A director appointed to the Board as a casual vacancy or an addition to the Board is required to stand for election at the next Annual General Meeting (AGM).

#### ***Re-election of Directors***

At each AGM, there must be an election of Directors. A Director must retire from office at least every three years (excluding the Chief Executive Officer/Managing Director), and a Director appointed to fill a casual vacancy or as an additional Director to the Board must stand for election at the AGM immediately following appointment. Retiring Directors are eligible for re-election.

Before each AGM, the Board will assess the performance of any Director standing for re-election and will determine the Board's recommendation to shareholders on the re-election of the Director. In FY18, the Chair of the Investment Committee conducted the review of the Chairman. The Notice of Meeting contains all material information in relation to any Director standing for election or re-election to provide shareholders with sufficient information relevant to the decision to elect or re-elect a Director.

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### 1.3 Written contracts of appointment

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

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An Executive Service Agreement is entered into between nib and senior executives setting out the terms and conditions of their appointment.

A letter of appointment is entered into between nib holdings limited and Non-Executive Directors setting out the terms and conditions of their appointment as well as a Deed of Access, Insurance & Indemnity.

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### 1.4 Company Secretary

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

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The Board Charter provides that the Company Secretary is accountable to the Board through the Chairman of the Board on all governance matters. All Directors have access to the Company Secretary. The responsibilities of the Company Secretary are set out in the Board Charter.

nib has entered into a Deed of Access, Insurance & Indemnity with each Company Secretary.

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### 1.5 Diversity

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
  - b) disclose that policy or a summary of it; and
  - c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
    - 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
    - 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.
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nib's Diversity Policy sets out our approach to diversity in the workplace (including gender diversity) and provides a framework to achieve nib's diversity goals. nib's Diversity Policy is published on our website, [nib.com.au](http://nib.com.au), and can be accessed directly by clicking [here](#).

The Board and management believe that nib's commitment to this policy contributes to achieving nib's corporate objectives and embeds the importance and value of diversity within the culture of nib.

nib believes that the promotion of diversity on the Board, in senior management and within all levels of the nib Group:

- broadens the pool for recruitment of high quality directors and employees;
- is likely to support employee retention;
- through the inclusion of a variety of skill-sets, is likely to encourage greater innovation and improve the quality of decision-making, productivity and teamwork;
- enhances customer service and market reputation through a workforce that respects and reflects the diversity of our customers; and
- is in line with best practice corporate governance responsibilities.

As a relevant employer under the Workplace Gender Equality Act, nib publishes its 'Gender Equality Indicators' on the Workplace Gender Equality Agency website and on our website, [nib.com.au](http://nib.com.au).

The Board of nib is committed to achieving diversity in accordance with its Diversity Policy. Set out below are the measurable objectives set by the Board for achieving gender diversity.

Objective	Details	Timeframe	Results as at 30 June 2018
<b>Recruitment and selection</b>	Ensure that employees and Directors are selected from diverse candidate pools. A shortlist will be compiled for all management, executive and Board positions with at least one serious female candidate to be present on every shortlist. If this is not possible, there must be objective reasons to support this. Candidates will be interviewed by a diverse group of people through the process.	Ongoing	<p>People and Culture continue to provide guidance to managers throughout the hiring process to ensure diversity is considered. An equal split of males/females on shortlists and interview panels for management level positions is targeted by the Talent Acquisition team. The team submits weekly reports to MANEX highlighting gender split by hire to maintain focus.</p> <p>60% of total hires have been female in the last 12 months.</p> <p>66% of females in Business Unit Head roles have less than a year in role vs 35% of males. With the addition of new Business Unit Head roles, tenures are still low at this point in time. Whilst female representation is increasing for these roles, we will continue to focus on building our female talent pipeline to build diversity in our leadership population.</p> <p>For leadership roles, the team works closely with each hiring manager to provide specific advice and coaching on the appropriate approaches to attraction, selection and decision making that will contribute to the diversity of the candidate pool and also ensure that hiring managers are implementing our agreed approach to recruitment and selection.</p> <p>The recruitment statistics for the year show that 113 positions with direct reports were hired across the nib group. Females were appointed to 61 of these leadership positions. 84 leadership positions were internally appointed (44 females, 38 males).</p>
<b>Flexible work practices</b>	Maintain a flexible work practices policy and engender a culture of support for flexible work practices where possible and required.	Ongoing	<p>The Flexible Work Practices policy was revised and implemented in April 2013, providing employees with the option of mutually beneficial flexible work arrangements. Managers continue to implement various flexible work arrangements with their teams, both formally and informally to support this objective.</p> <p>There is ongoing education for Managers to support employees who request Individual Flexible Arrangement's (IFA's).</p> <p>We have seen an increase in formalised Individual Flexible Arrangements (IFAs) from 74 at the end of FY17 to 92 at the end of FY18 that address a range of employee needs including:</p> <ul style="list-style-type: none"> <li>• IFAs for reduced hours due to child care arrangements and employees returning from parental leave</li> <li>• 23 IFAs for reduced hours due to carer responsibilities</li> <li>• 17 IFAs for reduced hours due to medical reasons</li> <li>• 6 IFAs for other reasons (e.g. study, remote location) for temporary relocation due to medical reasons</li> </ul> <p>Further to the formal IFAs in place with employees, a number of strategies are also in place to support flexible working arrangements for employees including:</p> <ul style="list-style-type: none"> <li>• Working from home</li> <li>• Flexible working hours (start/finish time)</li> <li>• Tertiary study and exam leave</li> <li>• Shift and rostering preferences</li> <li>• Gradual return from parental leave</li> </ul> <p>The People and Culture team also support Managers on a case by case basis to ensure informal flexible arrangements meet any WHS needs and are consistent with our approach to performance management and engagement.</p>
	Educate managers on strategies for supporting and managing flexible work arrangements successfully.	Ongoing	<p>There is ongoing education for Managers on how to implement flexible work practices. This is provided on a one-on-one basis through coaching by the People and Culture team.</p> <p>In addition, the parental leave provisions have been expanded to improve support for employees returning to work after parental leave.</p>

Objective	Details	Timeframe	Results as at 30 June 2018
Representation	<p>Set goals, timeframes and succession plans to improve the number of women in management roles in the business.</p> <p>At a minimum:</p> <ul style="list-style-type: none"> <li>Two Non-Executive Directors;</li> <li>One member of the People and Remuneration Committee;</li> <li>30% of Executives;</li> <li>40% of Heads of Business Units; and</li> <li>40% of Managers and Team leaders.</li> </ul>	June 2018	<p>The number of women in management roles in the business as at 30 June 2018 can be broken down as follows:</p> <ul style="list-style-type: none"> <li>Four female Non-Executive Directors;</li> <li>Two female members of the People and Remuneration Committee;</li> <li>Three female Executives representing 33% of total;</li> <li>18 female Business Unit Heads representing 33% of total; and</li> <li>120 female Managers and Team Leaders representing 58% of total.</li> </ul> <p>Although the total number of female Heads of Business Units is below target, there has been an increase during the period from 18% at 30 June 2017 to 33% at 30 June 2018.</p> <p>There has also been an increase in the number of female Non-Executive Directors, Executives, Managers and Team Leaders during FY18.</p> <p>The Board remains committed to these targets for representation.</p>
Objective	Details	Timeframe	Results as at 30 June 2018
Development and Succession	<p>Introduce mentoring, coaching and succession programs that support and encourage women to expand their skills as part of their professional development and to prepare them to take on management or executive roles.</p>	Ongoing	<p>Development plans and career conversations are currently taking place within the teams. This will support diversity within the talent pipeline including progress of women into leadership roles. Women in leadership events (hosted by the executives) for current and emerging female leaders have provided insights and feedback. Key themes included the importance of development and career planning, flexibility, parental leave policy, and diversity awareness training.</p> <p>Employee professional career development is an ongoing process that is being discussed and documented through individual performance planning conversations. Targeted interventions are applied to set females up for success upon return from parental leave, for example, arranging coaching sessions for key leaders given their responsibilities.</p> <p>The nib iLEAD program continues to be a key vehicle for enhancing the leadership skills and readiness of female middle management with female leaders representing just over 62% of those leaders that have completed the program in FY18.</p> <p>An integrated talent management framework is being developed to incorporate a more robust end to end career and succession planning process to retain and build a diverse workforce.</p> <p>Employees also have access to Education Assistance which provides financial support towards formal education to broaden job-related academic knowledge or obtain professional certification.</p>
Objective	Details	Timeframe	Results as at 31 May 2018
Gender Pay Equity	<p>Monitor Business Unit Heads salaries (as a % of salary range) to identify gender inequity that cannot be attributed to other variables (e.g. time in role or significant changes resulting from external benchmarking).</p>	Ongoing	<p>As at May 2018, we have achieved an even distribution of male and female salaries in the ranges except in the upper 75%-100% range; with the average salary % uplift for females at 4.94% vs 4.21% for males. This is a change from 2017 where females clustered in the ranges below 50% and the males above 50%. However, we have a higher portion of males in more senior Business Unit Head roles.</p> <p>We will continue to monitor the Business Unit Heads salaries (as a % of salary range) to identify and address gender inequity. In August, as part of the salary review process, Business Unit Heads salaries will be reviewed and adjusted appropriately; at which time we will also review the mix of fixed versus variable remuneration.</p>

nib's commitment to diversity is reflected in the composition of the current Board.

At 30 June 2018, 64.1% of nib's total workforce was female.

### 1.6 Board Reviews

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

### Evaluation of Board and committee performance

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman, individual Directors and of its Committees. The performance assessment process conducted in FY18 was conducted in-house.

The Chairman formally discusses the results of the review with the individual Directors. At that meeting, the Chairman and the individual Director also discuss the effectiveness of the Board and its contribution to the Group, Board discussion, and the composition of the Board and Committees.

Each of the Board's Committees reviews their performance annually or whenever there are major changes to the Committee structure. The Board and all Committees undertook an annual self-assessment in FY18.

### 1.7 Management reviews

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

In accordance with the Board Charter, the Board regularly monitors the performance of senior executives and the implementation of strategy against measurable and qualitative indicators. The performance of the Chief Executive Officer/Managing Director is evaluated and assessed by the Board each year. This process was followed in FY18.

The Chief Executive Officer/Managing Director conducts performance reviews of nib senior executives (key management personnel) by comparing performance against agreed measures, examining the effectiveness and quality of performance of the individual, both as a divisional leader and in their individual capacity, and assessing whether various expectations of stakeholders have been met. This process was followed for FY18.

nib complies with Recommendations 1.1, 1.2, 1.3, 1.4, 1.5, 1.6 and 1.7.

## Principle 2. Structure the Board to add value

### 2.1 Nomination Committee

The Board of a listed entity should:

- a) have a nomination committee which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director,
 and disclose:
  - 3) the charter of the committee;
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Nomination Committee is a standing committee of the nib Board. The Nomination Committee includes all Non-Executive Directors of the Board and is chaired by the Chairman of the Board. All current Non-Executive Directors have been determined to be independent by the Board of nib.

The Nomination Committee assists the Board and makes recommendations on the selection and appointment of Directors, the process of evaluating Directors' performance, the composition of the Board, and succession planning for the Board. The Committee ensures that Directors bring a variety of perspectives, experiences, skills and diversity in the best interests of nib.

The Nomination Committee Charter sets out the responsibilities, composition, structure, membership requirements and procedures for appointing members to the Board.

The Nomination Committee met two times during FY18. The individual attendance of Directors is detailed in page 20 of the Annual Report.

## 2.2 Board skills matrix

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board has approved the following board skills matrix which sets out the skills and diversity of the nib Board. All eight Directors (including the Executive Director) have been assessed against the skills matrix. nib's Board skills matrix will continue to develop as nib's strategy develops. All areas of nib's skills matrix are currently well represented on the nib Board. nib has four male and four female directors.

Skills & Experience	
<p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Experience in senior leadership role in a large organisation</li> <li>• Previous experience as a director or executive of a publicly listed company</li> </ul> <p><b>International business</b></p> <ul style="list-style-type: none"> <li>• Experience in developing and leading international businesses</li> <li>• Exposure to a range of political, cultural and regulatory environments</li> </ul> <p><b>Industry experience</b></p> <ul style="list-style-type: none"> <li>• Experience as a director or senior executive in the private health insurance, general insurance or financial services industries</li> </ul> <p><b>Digital and emerging technologies</b></p> <ul style="list-style-type: none"> <li>• Experience in existing and emerging technology to drive innovation and business growth</li> <li>• Experience in deriving deep insights into customer needs through big data and artificial intelligence</li> </ul> <p><b>Corporate Strategy</b></p> <ul style="list-style-type: none"> <li>• Experience in developing, reviewing, scrutinising and implementing corporate strategy, including organic growth through innovation as well as merger &amp; acquisition experience</li> </ul>	<p><b>Government and public policy</b></p> <ul style="list-style-type: none"> <li>• Experience in government interactions at senior levels and influencing public policy development and application</li> </ul> <p><b>Marketing, customer focus and brand</b></p> <ul style="list-style-type: none"> <li>• Experience and/or qualifications in marketing, branding, distribution and customer management and retention strategies</li> </ul> <p><b>People &amp; cultural alignment</b></p> <ul style="list-style-type: none"> <li>• Experience in people matters, including creating cultural alignment, promotion of diversity, establishing remuneration frameworks, management development and succession planning</li> </ul> <p><b>Business &amp; technical skills</b></p> <p>Experience and/or qualifications in any of the following business and technical skills:</p> <ul style="list-style-type: none"> <li>• Accounting</li> <li>• Finance</li> <li>• Audit</li> <li>• Risk management</li> <li>• Legal</li> <li>• Mergers &amp; Acquisitions</li> </ul> <p><b>Skill and personal attributes expected of all directors</b></p> <ul style="list-style-type: none"> <li>• Knowledge of corporate governance practices</li> <li>• Accountability</li> <li>• Strategic thinking</li> <li>• Ability to network</li> <li>• Ability to work in a team</li> <li>• High level of performance in respective field of experience and endeavour</li> </ul>



### 2.3 Disclose independence and length of service of directors

A listed entity should disclose:

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

There are currently eight Directors on nib's Board: seven Non-Executive Directors, all of whom are independent, and one Executive Director, being the Chief Executive Officer who is also appointed as the Managing Director. The Board Charter requires that all Directors should bring an independent judgment to bear on all Board decisions.

As at 30 June 2018, the Board composition was as follows:



**Mr Steve Crane**  
*(Chairman; Non-Executive Director/Independent)*  
Appointed: 28 September 2010  
Appointed as Chairman:  
1 October 2011  
Length of Service:  
7 years 9 months



**Mr Mark Fitzgibbon**  
*(Chief Executive Officer/  
Managing Director)*  
Appointed: 28 May 2007  
Length of Service:  
11 years 1 month



**Ms Lee Ausburn**  
*(Non-Executive Director/  
Independent)*  
Appointed: 13 November 2013  
Length of Service:  
4 years 7 months



**Ms Jacqueline Chow**  
*(Non-Executive Director/  
Independent)*  
Appointed: 5 April 2018  
Length of Service: 2 months



**Mr Philip Gardner**  
*(Non-Executive Director/  
Independent)*  
Appointed: 28 May 2007  
Length of Service:  
11 years 1 month



**Ms Anne Loveridge**  
*(Non-Executive Director/  
Independent)*  
Appointed: 20 February 2017  
Length of Service:  
1 year 4 months



**Ms Christine McLoughlin**  
*(Non-Executive Director/  
Independent)*  
Appointed: 20 March 2011  
Length of Service:  
7 years 3 months



**Mr Donal O'Dwyer**  
*(Non-Executive Director/  
Independent)*  
Appointed: 22 March 2016  
Length of Service:  
2 years 3 months

The Director's profiles appear in the Directors' Report of nib's Annual Report.

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### 2.4 Majority of directors independent

A majority of the board of a listed entity should be independent directors.

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The Board is comprised of a majority of independent Non-Executive Directors. The Board Charter requires that all Directors bring an independent judgment to bear on all Board decisions.

The Board has adopted specific principles in relation to Directors' independence, which are set out in the [Board Charter](#).

On appointment, each Director is required to provide information to the Board to assess their independence as part of their consent to act as a Director. The Board regularly assesses the independence of each Director in light of the interests disclosed by them and the length of tenure of each of the Directors. Each independent Director must provide the Board with all relevant information and keep this information up to date.

The Board has determined that all current Non-Executive Directors, including the Chairman, are independent and free of any relationship which may conflict with the interests of nib and the Group in accordance with the approved criteria for assessing independence.

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### 2.5 Chair independent and not CEO

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

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The Chairman, Mr Steve Crane, is an independent Non-Executive Director and Mr Mark Fitzgibbon is the Chief Executive Officer/ Managing Director of nib.

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### 2.6 Induction and professional development

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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It is the practice at nib for the continuing professional development programs for Directors to be agreed to between the individual director and Chairman and consequently this responsibility has not been given to the Nomination Committee.

Directors are expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.

nib complies with Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6.

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## Principle 3. Act ethically and responsibly

### 3.1 Code of Conduct

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
  - b) disclose that code or a summary of it.
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All employees, including the Board and senior management, are expected to uphold the highest levels of integrity and professional behaviour in their relationships with nib's stakeholders. A summary of nib's core codes and policies, which apply to all employees, are set out in this Corporate Governance Statement. These policies and codes are available on the nib website, [nib.com.au](http://nib.com.au).

nib has adopted a Code of Conduct which applies to all Directors, officers, employees, contractors, consultants and associates of nib. The Code of Conduct sets out nib's ethical standards and rules and provides a framework to guide compliance with legal and other obligations to stakeholders. The Code of Conduct is reviewed annually and was last amended on 25 July 2018. The Code of Conduct is published on our website, [nib.com.au](http://nib.com.au), or can be accessed directly by clicking [here](#).

nib complies with Recommendation 3.1.

## Principle 4. Safeguard integrity in corporate reporting

### 4.1 Audit Committee

The board of a listed entity should:

a) have an audit committee which:

- 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- 2) is chaired by an independent director, who is not the chair of the board,

and disclose:

- 3) the charter of the committee;
- 4) the relevant qualifications and experience of the members of the committee; and
- 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Audit Committee is a standing committee of the nib Board and operates in accordance with its Charter. The Audit Committee Charter is published on our website, [nib.com.au](http://nib.com.au), or can be accessed directly by clicking [here](#).

The Audit Committee includes members who have appropriate financial experience and understanding of the private health insurance industry. There are currently four members of the Audit Committee: Ms Anne Loveridge (Committee Chairman), Ms Jacqueline Chow, Mr Philip Gardner and Ms Christine McLoughlin. The Board Chairman is not a member of the Committee and attends meetings in an ex-officio capacity.

Details of the skills, experience and expertise of the Audit Committee members is set out on pages 15 to 19 of the Annual Report.

The Audit Committee held eight meetings in FY18. The individual attendance of Directors is detailed on page 20 of the Annual Report.

The Audit Committee Charter sets out the role and responsibility of the Audit Committee.

In fulfilling its role, the Audit Committee:

- receives regular reports from management, the external auditors, the Appointed Actuary and, if required, the internal auditors;
- meets with external auditors and the Appointed Actuary on a regular basis and has issued a standing invitation to the external auditor to attend all meetings of the Audit Committee;
- reviews the processes that the Chief Executive Officer/Managing Director and the Chief Financial Officer have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors and the Appointed Actuary at least twice a year without the presence of management; and
- provides the external auditors and the Appointed Actuary with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to access employees, management, internal and external auditors and the Appointed Actuary.

### 4.2 CEO and CFO certification of financial statements

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In addition to monthly compliance statements, quarterly internal control questionnaires are completed by all heads of business units and approved by senior executives. The quarterly reports are reviewed by nib's finance team as part of nib's half year and annual reporting and to achieve compliance with section 295A of the *Corporations Act* and Recommendation 4.2.

The Chief Executive Officer/Managing Director and the Chief Financial Officer provide annual formal statements to the Board to the effect that:

- nib's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of nib and are in accordance with relevant accounting standards; and
- nib's practices are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and nib's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

nib's Board has received assurance from the Chief Executive Officer and Chief Financial Officer that a declaration in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to reporting financial risks.

In August 2018, the Board received a statement in relation to FY18 full year report and results from the Chief Executive Officer/Managing Director and the Chief Financial Officer covering the matters set out in section 295A of the *Corporations Act* and in accordance with Recommendation 4.2.

#### 4.3 External auditor available at AGM

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from shareholders relevant to the audit.

nib's current external auditor is PriceWaterhouseCoopers (PwC). PwC attend nib's AGM and is made available to shareholders to answer any questions they may have in relation to the audit.

nib complies with Recommendations 4.1, 4.2 and 4.3.

### Principle 5. Make timely and balanced disclosure

#### 5.1 Disclosure Policy

A listed entity should:

- have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- disclose that policy or a summary of it.

nib has a Disclosure and Communication Policy and Disclosure and Materiality Guidelines to ensure compliance with the ASX Listing Rules disclosure requirements, and to ensure accountability at a senior executive level for that compliance and disclosure of those policies or summary of those policies.

The Disclosure and Communication Policy and Disclosure and Materiality Guidelines are provided to all officers, senior executives and relevant employees on their appointment and are disclosed on the nib website, [nib.com.au](http://nib.com.au). nib has established a Disclosure Committee which is responsible for managing nib's disclosure obligations under the ASX Listing Rules. The Disclosure Committee comprises the Chief Executive Officer/Managing Director, Chief Financial Officer, Group Executive Legal and Chief Risk Officer and Head of Corporate Affairs and Investor Relations.

nib is committed to providing relevant up-to-date information to its shareholders and other stakeholders in accordance with its obligations under the ASX Listing Rules and the *Corporations Act*. In meeting its continuous disclosure obligations, nib works to ensure that its announcements are presented in a factual, clear and balanced way and that all shareholders have equal and timely access to material information concerning nib.

nib's Company Secretary, Chief Financial Officer and Head of Investor Relations and Corporate Affairs have been nominated as the persons responsible for communications with the ASX.

nib complies with Recommendation 5.1.

## Principle 6. Respect the rights of shareholders

### 6.1 Information on website

A listed entity should provide information about itself and its governance to investors via its website.

The Board is committed to communicating effectively with shareholders, making it easy for them to participate in general meetings and respecting the rights of its shareholders.

nib has a Disclosure and Communication Policy in place for promoting effective communication with shareholders and encouraging their participation at general meetings. The Disclosure and Communication Policy is available on our website, [nib.com.au](http://nib.com.au), or can be accessed directly by clicking [here](#).

nib's Disclosure and Communication Policy sets out the way in which nib communicates to shareholders.

The Board and management aim to ensure that shareholders are informed of all information necessary to fully assess nib's performance. nib has a dedicated shareholder website that can be found at [nib.com.au/shareholders](http://nib.com.au/shareholders). This website provides relevant information for shareholders in a dedicated place and in an easy-to-navigate manner, including particulars of the Directors, copies of nib's Constitution, Board and Committee Charters, corporate governance policies and other policies, copies of annual reports and financial statements. All information, including announcements to the ASX, is posted on the shareholder website soon after release to the market by the ASX.

Shareholders may elect to receive information electronically as it is posted on nib's shareholder website (the website provides information about how to make this election). Alternatively, a shareholder may elect to receive company reports and shareholder documents, such as the Notice of AGM, by post.

### 6.2 Investor relations program

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

nib prepares an annual investor relations strategy and program and sets out how nib will communicate and engage with investors. This includes how nib will facilitate feedback from shareholders as well as opportunities and channels shareholders can use to communicate with nib on matters of concern or interest to them.

### 6.3 Facilitate participation at meetings of shareholders

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders.

nib's Disclosure and Communication Policy, which is available on our website, encourages shareholders to attend the AGM and use the opportunity to ask questions at the meeting. If a shareholder is unable to attend the AGM, the shareholder can appoint a proxy to attend and vote on their behalf/or use any other means as included in the notice of meeting. Questions can be lodged prior to the AGM by completing the relevant form accompanying the notice of meeting. nib responds in writing to any shareholder who submits a written question. Notices of meeting and accompanying explanatory notes aim to clearly, concisely and accurately set out the nature of the business to be considered at the meeting. nib places notices of general meetings and accompanying explanatory material on the nib website.

In 2017, shareholders were also able to view the AGM via a webcast available on nib's website. Shareholders will be able to watch and listen to the business of the 2018 AGM by webcast from the nib shareholder website, [nib.com.au/shareholders](http://nib.com.au/shareholders).

### 6.4 Facilitate electronic communications

A listed entity should give shareholders the option to receive communications from, and send communications to, the entity and its share registry electronically.

nib shareholders can elect to receive their shareholder communications electronically. Electronic communications are actively encouraged to shareholders who currently receive communications in printed form. nib's shareholder website further enables shareholders to access information online.

nib complies with Recommendation 6.1, 6.2, 6.3 and 6.4.

## Principle 7. Recognise and manage risk

### 7.1 Risk Committee

The board of a listed entity should

- a) have a committee or committees to oversee risk, each of which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director,
 and disclose:
  - 3) the charter of the committee;
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Management is responsible for designing, implementing and reporting on the adequacy of nib's risk management and internal control system. The role of the Risk and Reputation Committee includes reviewing and making recommendations to the Board in respect of nib's system of risk management.

There are four members of the Risk and Reputation Committee: Ms Christine McLoughlin (Committee Chairman), Ms Lee Ausburn, Ms Anne Loveridge and Mr Donal O'Dwyer. Details of the skills, experience and expertise of the Risk and Reputation Committee members is set out on pages 15 to 19 of the Annual Report.

The Risk and Reputation Committee held five meetings in FY18. The individual attendance of Directors is detailed in page 20 of the Annual Report.

The key risks as identified and managed by nib are detailed at pages 11 to 12 of the Operating and Financial Review section of the Annual Report.

nib's Risk Management Framework and Risk Management Strategy enable the Board to have reasonable assurance that:

- established corporate and business strategies and objectives are achieved;
- risk exposures are identified and adequately monitored and managed;
- significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
- there is an adequate level of compliance with policies, standards, procedures and applicable laws, regulations and licences.

nib's Risk Management Framework is based on the Australian/New Zealand Standard (AS/NZS ISO 31000:2009) for risk management and also the internationally recognised Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management Framework.

The Board and senior management consider and set nib's strategic and operational objectives as part of the annual strategy and budget planning review. As part of the strategy setting, the Board and senior management consider these obligations in the context of nib's risk appetite – the acceptable balance of growth, risk and return for nib. There may be a number of different strategies designed to achieve desired growth and return goals, each having different risks.

As a means of informing the business of the outcomes expected from the strategy, the Board and senior management develop key performance indicators and risk assessments for each objective. These are intended to provide the Board with greater assurance that nib remains within its strategy and risk appetite and provides guidance about nib's ability to achieve its objectives.

The Risk Management Framework includes the Board's statement of risk appetite for the four main types of risk that are likely to affect nib's ability to deliver its strategic objectives. At a high level these are:

- **Insurance Risk** – the risks associated with an insurer's core activities of product design, pricing, underwriting and claims management.
- **Financial Risk** – the risks associated with achieving nib's financial targets, including revenue and income growth, and capital management targets. These risks include model risk, credit risk, liquidity risk, market risk, investment risk, pricing risk and claims risk.
- **Operational Risk** – the risk that arises from normal operations, information technology, regulatory and compliance risk, project management, inadequate or failed internal processes, people, systems, fraud or from external events.
- **Strategic Risk** – the risk of changing government policies and new legislation on nib's business (sovereign risk), strategic plan risk, reputation risk and product design.

nib's Board has required management to design, implement and annually review, the risk management and internal control systems to manage nib's material business risks and to report to the Board on whether those risks are being managed effectively with changes in the business so as to ensure that they continue to be sound.

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### 7.2 Annual Risk Review

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

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The Board and the Risk and Reputation Committee receive regular reports on key enterprise risks that may impede nib in meeting its business objectives. During FY18, management provided reports to support the Risk and Reputation Committee's and the Board's assessment of the effectiveness of nib's risk management framework and the management of material business risks. In addition, the Audit Committee monitors the Group's financial risks and reports to the Board on the adequacy of the Group's internal controls as they apply to financial reporting, financial management systems, accounting and business policies to minimise any financial risks.

The Risk and Reputation Committee undertakes an annual review of nib's risk management framework (including a review of nib's Risk Appetite, Risk Management Strategy and Key Enterprise Risks) to ensure that nib's risk management framework continues to be effective and relevant to nib. During FY18, the Risk and Reputation Committee undertook an annual review of the risk management framework, as well as further aligned the risk management approach across the nib Group through the adoption of a group Risk Management Strategy and amendments to the Risk Appetite Statement.

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### 7.3 Internal Audit

A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes

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nib's internal audit function for FY18 was performed by PKF Lawler Partners in Australia and by KPMG in New Zealand. The internal auditor provides an independent and objective internal audit review of nib's risks and key controls and how nib's processes and technology are operated and managed to provide the best outcomes for nib. The nib Strategic Internal Audit plan for the year is developed using a risk-based approach. The annual cycle includes a risk assessment from which the annual plan is developed by the internal auditors in conjunction with the Risk and Reputation Committee in Australia, and the Board Audit, Risk and Compliance Committee in New Zealand, together with nib management to ensure alignment with identified key enterprise risks. Internal audit reviews performed also ensure nib identifies opportunities for process improvement.

Internal audit reports in relation to key enterprise risks are also considered at meetings of the Risk and Reputation Committee (in Australia) and the Board Audit, Risk and Compliance Committee (in New Zealand). Representatives from the internal auditors regularly attend meetings of these Committees to present internal audit reports and answer questions from the Committee.

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### 7.4 Sustainability Risks

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

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nib's Risk Management Framework accounts for key enterprise risks to be identified and categorised according to whether they are a insurance risk, financial risk, operational risk or strategic risk. nib is able to manage any material exposures that may have a real possibility of substantively impacting on nib's ability to create or preserve value for shareholder over the short, medium and long term.

nib's material exposure to economic, environment and social sustainability risks, if any, are outlined in Principal risks and uncertainties in the Operating and Financial Review section of the Annual Report on pages 11 to 12. Further information on nib's practices and initiatives in place to address these risks is also provided in the 'Sustainability' section of the Operating and Financial Review in the Annual Report on pages 9 to 10 and are disclosed on the nib website, [nib.com.au](http://nib.com.au).

nib complies with Recommendation 7.1, 7.2, 7.3 and 7.4.

## Principle 8. Remunerate fairly and responsibly

### 8.1 Remuneration Committee

The board of a listed entity should:

- a) have a remuneration committee which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director,and disclose:
  - 3) the charter of the committee;
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The People and Remuneration Committee is a standing committee of the nib Board and operates in accordance with the People and Remuneration Committee Charter which is available on our website, [nib.com.au](http://nib.com.au), or which can be accessed directly by clicking [here](#).

nib's People and Remuneration Committee is structured so that it consists only of independent Non-Executive Directors, has an independent Chairman and has at least three members.

There are four members of the People and Remuneration Committee: Ms Lee Ausburn (Committee Chairman), Ms Jacqueline Chow, Mr Philip Gardner and Mr Donal O'Dwyer.

Details of the skills, experience and expertise of the People and Remuneration Committee members is set out on pages 15 to 19 of the Annual Report.

The People and Remuneration Committee held six meetings in FY18. The individual attendance of directors is detailed in page 20 of the Annual Report.

### 8.2 Disclosure of Executive and Non-Executive Director remuneration policy

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

nib clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

The People and Remuneration Committee reviews remuneration of senior executives and Non-Executive Directors every year. Every second year, the Committee engages an independent remuneration consultant in relation to executive remuneration and market rates to assist it in making recommendations to the Board for nib's remuneration practices and the structure of Non-Executive Directors' remuneration and the remuneration of senior executives.

The remuneration of senior executives (who are key management personnel), including the Chief Executive Officer/Managing Director, have the following remuneration components:

- base salary;
- statutory entitlements (including superannuation and long service leave, as applicable);
- a short-term incentive (subject to performance thresholds); and
- a long-term incentive (subject to performance thresholds).

Further information in relation to nib's remuneration policies and practices for senior executives and Non-Executive Directors is provided as part of the Remuneration Report (pages 24 to 43 of the Annual Report).

Remuneration for Non-Executive Directors is fixed. Board and Committee fee rates are reviewed by the People and Remuneration Committee and approved by the Board. The total annual remuneration paid to Non-Executive Directors must not exceed the fee pool set by shareholders at the AGM. The current maximum annual remuneration was set at \$1.9 million per annum by shareholders in November 2017 (effective from 1 January 2018). Further information in relation to nib's remuneration practices for Non-Executive Directors is provided as part of the Remuneration Report (pages 24 to 43 of the Annual Report).



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### 8.3 Policy on hedging equity incentive schemes

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
  - b) disclose that policy or a summary of it.
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nib's Trading Policy prohibits key management personnel from:

- dealing in financial products designed to track, hedge or in any other way take a position associated with the future value of nib shares, including options, warrants, futures or other financial products issued over nib shares by third parties such as banks and other institutions; and
- entering into transactions in products associated with nib Securities which operate to limit the economic risk of their shareholding in nib (e.g. hedging arrangements). This extends to any hedging arrangements or other such transactions in respect of rights under a Plan.

The following documents are available from our website, [nib.com.au](http://nib.com.au), or can be accessed directly by clicking the links below:

- [People and Remuneration Committee Charter](#)
- [nib Trading Policy](#)

nib complies with Recommendations 8.1, 8.2 and 8.3.

Date 25 July 2018

Approved by the Board of nib holdings limited.

[nib.com.au](https://nib.com.au)