

**nib**

**2013  
Notice of Annual  
General Meeting**

**2013 Annual General Meeting**

Date: 29 October 2013

Time: 11.00am (AEDT)

Venue: Fort Scratchley Multipurpose Centre,  
1 Nobbys Road, Newcastle NSW 2300

# Notice is given that the 2013 Annual General Meeting (“AGM”) of nib holdings limited (ACN 125 633 856) (“nib” or “Company”) will be held:

**Date:** 29 October 2013

**Time:** 11.00am (AEDT)

**Venue:** Fort Scratchley Multipurpose Centre  
1 Nobbys Road, Newcastle NSW 2300

## Items of Business

### ORDINARY BUSINESS

#### 1. Consideration of Reports

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of nib holdings limited (Company) (hereafter known as the Group) consisting of nib holdings limited and the entities it controlled for the financial year ended 30 June 2013.

Shareholders will be able to ask questions about, or comment on the reports, management and audit of the Company and the Group.

*There is no vote on this item.*

#### 2. Remuneration Report

To consider and, if thought appropriate, pass the following as an advisory ordinary resolution:

“That the Remuneration Report of the Company for the financial year ended 30 June 2013 (set out in the Directors' Report) is adopted.”

*Under the Corporations Act, this resolution is advisory only and does not bind the Directors or the Company.*

#### 3. Re-election of Mr Steve Crane

To consider and, if thought appropriate, pass the following as an ordinary resolution:

“That Mr Steve Crane be re-elected as a Non-Executive Director of the Company.”

#### 4. Re-election of Dr Annette Carruthers

To consider and, if thought appropriate, pass the following as an ordinary resolution:

“That Dr Annette Carruthers be re-elected as a Non-Executive Director of the Company.”

### SPECIAL BUSINESS

#### 5. Approval of participation in Long-Term Incentive Plan

To consider and, if thought appropriate, pass the following as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes the following is approved:

- participation in the nib Long-Term Incentive Plan (LTIP) by Mr Mark Fitzgibbon, Managing Director / Chief Executive Officer;
- acquisition accordingly by Mr Fitzgibbon of Performance Rights and in consequence of the vesting of those Performance Rights, of ordinary shares of the Company; and
- the provision of benefits to Mr Fitzgibbon under the LTIP,

for the year commencing 1 July 2013 in accordance with the terms of the LTIP (as approved by the Board, and amended from time to time by the Board) and on the basis as described in the Explanatory Notes to this Notice of Meeting.”

#### 6. Approval to increase aggregate fee pool for Non-Executive Directors

To consider and, if thought appropriate, pass the following as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.17, nib's Constitution and for all other purposes, the aggregate amount of fees that may be paid to Non-Executive Directors as a whole be increased from A\$1,100,000 to A\$1,500,000 per annum (an increase of A\$400,000), effective from 1 January 2014.”

## VOTING EXCLUSION STATEMENTS

### Item 2

For the purposes of sections 250R(2) and 250BD(1) of the *Corporations Act 2001 (Cth)*:

1. subject to paragraph 2, a vote must not be cast (in any capacity) on the resolution in Item 2 by or on behalf of a member of the Company's Key Management Personnel (including the Directors) (KMP), details of whose remuneration are included in the Remuneration Report or their closely related parties, whether as a shareholder or as a proxy except that a vote may be cast on the resolution in Item 2 by a KMP, or a closely related party of a KMP if:
  - the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on the resolution in Item 2; and
  - the vote is not cast on behalf of a KMP or a closely related party of a KMP.
2. if you appoint the Chairman of the AGM as your proxy, and you do not direct your proxy how to vote on the resolution in Item 2 on the proxy form, you will be expressly authorising the Chairman of the AGM to exercise your proxy even if the resolution in Item 2 is connected directly or indirectly with the remuneration of a KMP of the Group, which includes the Chairman of the AGM.

The Chairman of the AGM intends to vote undirected proxies in favour of the resolution in Item 2.

### Item 5

For the purposes of section 250BD(1) of the *Corporations Act 2001 (Cth)*:

1. a vote must not be cast on the resolution in Item 5 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on the resolution in Item 5. However, this voting exclusion does not apply if the KMP is the Chairman of the AGM acting as proxy and their appointment expressly authorises the Chairman of the AGM to exercise the proxy even if that Item is connected directly or indirectly with the remuneration of a member of the KMP of the Group; and
2. if you appoint the Chairman of the AGM as your proxy, and you do not direct your proxy how to vote on the resolution in Item 5 on the proxy form, you will be expressly authorising the Chairman of the AGM to exercise your proxy even if the resolution in Item 5 is connected directly or indirectly with the remuneration of a member of the KMP of the Group, which includes the Chairman of the AGM.

The Chairman of the AGM intends to vote undirected proxies in favour of the resolution in Item 5.

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on the resolution in Item 5 by:

- a Director of nib (except one who is ineligible to participate in any employee incentive scheme in relation to nib); and

- an associate of that Director of nib (except one who is ineligible to participate in any employee incentive scheme in relation to nib).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Item 6

For the purposes of section 250BD of the *Corporations Act 2001 (Cth)*:

1. a vote must not be cast on the resolution in Item 6 by a KMP or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on the resolution in Item 6. However this voting exclusion does not apply if the KMP is the Chairman of the AGM acting as proxy and their appointment expressly authorises the Chairman of the AGM to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP; and
2. if you appoint the Chairman of the AGM as your proxy, and you do not direct your proxy how to vote on the resolution in Item 6 on the proxy form, you will be expressly authorising the Chairman of the AGM to exercise your proxy even if the resolution in Item 6 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the AGM.

The Chairman of the AGM intends to vote undirected proxies in favour of the resolution in Item 6.

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on the resolution in Item 6 by:

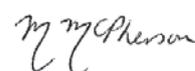
- Directors of nib; and
- an associate of any Director of nib.

However, nib need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated: 17 September 2013

By Order of the Board



Michelle McPherson  
Company Secretary

## Notes:

1. A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Shareholders can appoint a body corporate as well as an individual as their proxy. A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at general meetings of nib or in the capacity of a shareholders proxy at general meetings of nib. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a general meeting or in voting on a resolution.
  2. A shareholder who appoints two proxies may state on the proxy form what proportion or number of the shareholder's votes each proxy is being appointed to exercise. If a shareholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half the shareholder's votes.
  3. If a shareholder has appointed two proxies, when a resolution is decided on a show of hands, only the first person named on the proxy form may vote. If two proxy forms have been completed, the person whose name is earlier in alphabetical sequence may vote.
  4. A proxy need not be a shareholder of nib.
  5. Either the original, facsimile or electronic transmission of the proxy form(s) and any Power of Attorney or authority under which they are signed must be received at least 48 hours prior to the AGM (i.e. by no later than 11.00am (AEDT) on Sunday, 27 October 2013,) or any adjournment. Any proxy form received after this deadline, including at the AGM, will be invalid.
  6. A proxy form accompanies this Notice of Meeting.
  7. Additional proxy forms will be supplied by the nib share registry on request.
  8. An electronic proxy facility is also available to shareholders via the nib shareholder website – [nib.com.au/shareholders](http://nib.com.au/shareholders)
  9. If a corporate representative is to attend the AGM on behalf of a corporation, a formal Notice of Appointment must be brought to the AGM or lodged with the share registry prior to the meeting.
  10. In accordance with Regulation 7.11.37 of the Corporations Regulations (Cth) and ASX Settlement Operating Rule 5.6.1, the Board has determined that a person's entitlement to vote at the AGM will be the entitlement of that person set out in the register of shareholders as at 7.00pm (AEDT) on 27 October 2013. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the AGM.
  11. If you wish a question to be put to the Chairman or Auditor and you are not able to attend the AGM, please complete the question form which is included with this Notice of Meeting.
  12. Either the original or facsimile transmission of the question form must be received at least five business days prior to the AGM (by no later than 5.00pm on 22 October 2013 or any adjournment). This is to allow time to collate questions and to prepare answers.
  13. If the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:
    - the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting exclusions);
    - if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
    - if the proxy is not the Chairman of the AGM, the proxy need not vote on a poll but if the proxy does so, the proxy vote must vote as directed (subject to any applicable voting restrictions); and
    - if the proxy is the Chairman of the AGM, the proxy must vote on a poll and must vote as directed.
  14. There are now some circumstances where the Chairman of the AGM will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chairman of the AGM as their proxy. This will be the case where:
    - the appointment of the proxy specifies the way the proxy is to vote on a particular resolution;
    - the Chairman of the AGM is not named as the proxy;
    - a poll has been called on the resolution; and
    - either of the following applies:
      - the proxy is not recorded as attending the AGM; or
      - the proxy attends the AGM but does not vote on the resolution.
- Shareholders should consider directing their proxy how to vote on each resolution by crossing either a "For", "Against", or "Abstain" box when lodging their proxy form to ensure that their proxy is permitted to vote on their behalf in accordance with their instructions.

## ORDINARY BUSINESS

### 1. Consideration of Reports

Section 317(1) of the *Corporations Act 2001 (Cth)* ("Corporations Act") requires a public company to lay before its AGM the Financial Report, the Directors' Report and the Auditor's Report for the Company for the financial year that ended before the AGM.

Shareholders will be able to consider, comment on and ask questions of the Directors and the Auditor of the Company about the management of the Company, the conduct of the audit, and the preparation and contents of the financial statements and reports for the financial year ended 30 June 2013.

### 2. Remuneration Report

The Corporations Act requires listed companies to put a remuneration report relating to Director and Executive remuneration for each financial year to a resolution of members at their Annual General Meeting. The Remuneration Report for nib (and the Group) for the financial year ended 30 June 2013 is set out on pages 19-34 of the Company's Annual Report and is also available on the Company's website [nib.com.au/shareholders](http://nib.com.au/shareholders).

Under section 250R (3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders will be able to ask questions about, and make comments on, the Remuneration Report at the AGM.

The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.

### 3. Re-election of Mr Steve Crane

In accordance with the ASX Listing Rules and the Constitution, Mr Steve Crane retires from office at the AGM and, being eligible for re-election, offers himself for re-election as a Non-Executive Director.

Mr Steve Crane was first appointed as a Director on 28 September 2010 and Chairman on 1 October 2011. He is also a Director of nib health funds limited.

Mr Crane has 40 years' of financial market experience as well as extensive experience in publicly-listed companies. He was previously Chief Executive Officer of BZW Australia and ABN AMRO. Mr Crane holds a Bachelor of Commerce degree from the University of Newcastle and is a Fellow of the Australian Institute of Company Directors. Mr Crane is also a Non-Executive Director of Transfield Services Ltd, Bank of Queensland Limited, APA Group, Taronga Conservation Society Australia and is Chairman of Global Valve Technology Limited and a member of the CIMB Advisory Council.

The Board (with Mr Steve Crane abstaining and not voting) supports the re-election of Mr Crane and recommends that you vote in favour of this ordinary resolution.

During the consideration of this item of business at the AGM, Mr Crane will vacate the chair, with Mr Harold Bentley chairing the AGM for Mr Crane's re-election.

### 4. Re-election of Dr Annette Carruthers

In accordance with the ASX Listing Rules and the Constitution, Dr Annette Carruthers retires from office at the AGM and, being eligible for re-election, offers herself for re-election as a Non-Executive Director.

Dr Annette Carruthers was appointed as a Director in September 2007 and was re-elected by shareholders at the 2010 Annual General Meeting. She has been a Director of nib health funds limited since 2003 and is also a Director of nib Group companies, including nib's New Zealand subsidiary companies.

In addition, Dr Carruthers is a Director of Aged Care Investment Services (the Trustee for the AMP Managed Aged Care Investment Trusts), the Hunter Infrastructure and Investment Advisory Board and NSW Board of the Medical Board of Australia.

Dr Carruthers is a general medical practitioner with comprehensive experience in health management and has a Bachelor of Medicine, Bachelor of Surgery (Hons) (University of Sydney), is a Fellow of the Royal Australian College of General Practice, has a Graduate Certificate in Applied Finance and is also a Fellow of the Australian Institute of Company Directors.

Dr Carruthers is Chairman of the Risk and Reputation Committee and is also a member of the Audit Committee.

The Board (with Dr Carruthers abstaining and not voting) supports the re-election of Dr Carruthers and recommends that you vote in favour of this ordinary resolution.

## SPECIAL BUSINESS

### 5. Approval of participation in Long-Term Incentive Plan

#### Approval Sought

nib seeks shareholder approval for Mr Mark Fitzgibbon, Managing Director & CEO, to participate in the Long-Term Incentive Plan ("LTIP") for grants of Performance Rights in 2013 (with a four-year vesting period).

#### Background

The LTIP forms part of nib's remuneration strategy. The LTIP is designed to align the interests of Executives and shareholders and to assist nib in the attraction, motivation and retention of Executives. In particular, the LTIP provides Executives with an incentive for future performance, thereby encouraging those Executives to remain with and contribute to the future performance of nib.

Under the LTIP, eligible persons participating in the LTIP may be granted Performance Rights on terms and conditions determined by the Board from time to time. A Performance Right is a right to acquire a share in nib, subject to the satisfaction of applicable vesting conditions including the achievement of Board-determined Performance Hurdles.

In 2008, nib adopted the LTIP and the LTIP rules (**LTIP Rules**). The LTIP Rules were previously amended in May 2011 and August 2012. In July 2013, the Board of nib approved further changes to the LTIP rules to allow for the Board to exercise its discretion in relation to the acceleration of the vesting of Performance Rights in certain circumstances, such as a change of control occurring or the winding up or delisting of the Company, rather than provide that Performance Rights vest automatically.

A summary of the new LTIP Rules, which apply to Performance Rights granted to Mr Fitzgibbon and other KMPs from July 2013, is set out in the Schedule to these Explanatory Notes.

## Overview of awards to Mr Mark Fitzgibbon

Performance Rights are awarded to Mr Mark Fitzgibbon (Managing Director & CEO) on an annual basis at the discretion of the Board. The Performance Rights for each annual award are granted in two tranches of equal value. The Performance Rights to be issued during the financial year ended 30 June 2014 will have a four-year performance period (from 1 July 2013 to 30 June 2017) (Performance Period).

## Vesting conditions

The Performance Rights will vest in accordance with the achievement of the following vesting conditions:

Vesting Condition 1	Vesting Condition 2
50% of the Performance Rights (" <b>Tranche 1</b> ")	50% of the Performance Rights (" <b>Tranche 2</b> ")
Total Shareholder Return targets (" <b>TSR Hurdle</b> ") for the relevant Performance Period are met	Earnings per Share growth targets (" <b>EPS Hurdle</b> ") for the relevant Performance Period are met

The TSR Hurdle and the EPS Hurdle have been chosen by the Board to focus management attention on four-year strategic and financial objectives, as well as shareholder alignment.

## TSR Hurdle

The TSR Hurdle measures the growth in the price of securities plus cash distributions notionally reinvested in securities. In order for the Tranche 1 Performance Rights to vest, the TSR of nib will be compared to companies in the S&P/ASX 200 as at the commencement of the relevant Performance Period. For the purpose of calculating the TSR measurement, the security prices (plus cash distributions notionally reinvested in securities) of each comparator company in the S&P/ASX 200 and of nib will be averaged over the 20 consecutive ASX trading days preceding the start date and end date of the relevant Performance Period. The percentage of Tranche 1 Performance Rights that vest will be as follows:

nib's TSR performance compared to the relevant peer group	Percentage of Tranche 1 Performance Rights to vest
<50th percentile	No vesting
>50th percentile to 74th percentile	Pro-rata straight line vesting between 50% and 100%
≥75th percentile	100% vesting

The peer group of companies for the TSR hurdle in previous years has been the ASX 300. The Board believes the performance of the Company's shares should be measured against the ASX 200 for 2013 (which is also intended for future years) for assessing LTIP performance. This reflects the Board's expectations of performance, the Company's size and feedback from shareholders.

## EPS Hurdle

The principle used in setting the EPS Hurdle is to use the prior financial year's normalised EPS as a base and apply a range of compound annual growth rates in EPS from 3.0% to 15.0%, which in turn determines the percentage of Tranche 2 Performance Rights that will vest on 1 September following the end of the relevant performance period, depending on the compound annual growth rate in EPS achieved. The EPS targets have been determined with reference to the macro-economic environment, relevant benchmarks and nib's strategy over the measurement period. No Performance Rights will vest if the compound annual growth rate is below 3.0%.

The EPS Hurdle base for the Performance Period is 15.3 cents per share, being nib's 2013 financial year normalised earnings per share, which is calculated based on net profit after tax of \$67.2 million.

The EPS Hurdle for the Performance Period will be determined in accordance with the principles set out in the table below (with the Board setting the EPS hurdles annually):

Percentage of Performance Rights vesting	EPS Hurdle
100%	Compound annual growth rate of 15.0% (equates to EPS of \$0.268 in the financial year ending 30 June 2017)
75%	Compound annual growth rate of 10.0% (equates to EPS of \$0.224 in the financial year ending 30 June 2017)
50%	Compound annual growth rate of 7.0% (equates to EPS of \$0.201 in the financial year ending 30 June 2017)
25%	Compound annual growth rate of 3.0% (equates to EPS of \$0.172 in the financial year ending 30 June 2017)
0%	Nil

### Notes:

- For the purpose of calculation, 25% and 50% will be discrete thresholds (e.g. performance will be assessed at 25% for EPS greater than \$0.172 but less than \$0.201), with performance above the 50% entitlement calculated on a pro rata basis to a maximum entitlement of 100%.

The EPS Hurdle will be tested as at 30 June 2017 and the percentage of Performance Rights that will vest on 1 September 2017 will be calculated in accordance with this criteria.

## Number of Performance Rights

The number of Performance Rights to be granted to the Managing Director & CEO in the year ended 30 June 2014 (for the financial year commencing 1 July 2013) is calculated as follows:

$$\frac{80\% \times \text{TFR}}{\text{Strike Price}}$$

**TFR** = the Managing Director's total fixed remuneration for the relevant financial year (being base salary plus superannuation).

**Strike Price** = Volume weighted average price ("VWAP") for nib shares for the first 10 trading days following the announcement of the full year financial results for the financial year ended 30 June 2013, which is \$2.1199.

If approved by shareholders, the number of Performance Rights to be granted to Mr Fitzgibbon for the financial year commencing 1 July 2013 is calculated as follows:

$$\frac{80\% \times \$725,500}{\$2.1199} = 273,786 \text{ Performance Rights}$$

## Delivery of Shares on Vesting of Performance Rights

Mr Fitzgibbon will receive one share for every vested Performance Right, subject to the LTIP Rules, and the Company may elect whether to allocate shares for the purpose of the LTIP by way of an issue of shares or by procuring the on-market purchase and transfer of shares. The Company currently proposes that it will satisfy its obligations to allocate shares for the purpose of the LTIP by arranging for the on-market purchase and transfer of shares to Mr Fitzgibbon after the testing of the particular performance hurdles.

A two-year non-disposal period applies to 50% of the shares allocated to Mr Fitzgibbon on vesting of the Performance Rights.

## Participation in the LTIP by Mr Fitzgibbon

nib seeks shareholder approval for Mr Fitzgibbon, Managing Director & CEO, to participate in the LTIP for 2013 (for the financial year from 1 July 2013 to 30 June 2014), with the number of Performance Rights to be awarded to Mr Fitzgibbon to be calculated in accordance with the formula set out in this Notice of Meeting.

It is proposed that the performance hurdles for Mr Fitzgibbon will be applied to any other offer of Performance Rights to nib's KMP. Details relating to the performance hurdles will be set in the same manner as outlined in relation to Mr Fitzgibbon.

## Further Information

Listing Rule 10.14 provides that a listed company may only permit a director to acquire shares or rights to shares under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders. This rule does not apply in respect of shares purchased on-market. Although it is the Board's current intention that if the Performance Rights vest, shares will be acquired on-market for the purposes of the LTIP, the Board nevertheless wishes to seek approval for the acquisition of Performance Rights and shares by the Managing Director & CEO under the LTIP as discussed in these Explanatory Notes.

In accordance with the Listing Rules, the following information is provided for shareholders:

1. the maximum number of Performance Rights for which approval is sought will be calculated as described above and will be provided to shareholders in the relevant Annual Report;
2. the Performance Rights will be granted at no cost to Mr Fitzgibbon and the Board has determined that no amount is payable by Mr Fitzgibbon on the vesting of each Performance Right granted under the LTIP;
3. upon satisfaction of the performance hurdles set by the Board, the Performance Rights will vest and Mr Fitzgibbon will be allocated or issued shares on a one-for-one basis;
4. no loan will be made by nib in connection with the acquisition of Performance Rights or shares by Mr Fitzgibbon under the LTIP;
5. Mr Fitzgibbon is the only person referred to in Listing Rule 10.14 entitled to receive an award of Performance Rights under the LTIP;
6. Mr Fitzgibbon is the only Director who has received Performance Rights and securities under the LTIP since the last approval. Mr Fitzgibbon received 331,765 of Performance Rights since the last approval with an acquisition price of nil; and
7. no Performance Rights will be granted under this approval later than 12 months after the date of the AGM.

## Recommendation

The Board (with Mr Fitzgibbon abstaining and not voting) recommends that shareholders vote in favour of the resolution in Item 5 on the basis that the overall remuneration of Mr Fitzgibbon, which includes his participation in the LTIP, is reasonable having regard to the Company's circumstances and that the grant of Performance Rights to Mr Fitzgibbon under the LTIP and on the terms described in these Explanatory Notes:

- is in the best interests of the Company as a whole; and
- is consistent with the Company's remuneration policy, in particular the Company's policy of linking remuneration to achievement, and the objective of attracting and retaining highly-skilled Executives.

## 6. Approval to increase aggregate fee pool for Non-Executive Directors

### a) Proposal for increase

It is proposed that the fee pool for Non-Executive Directors be increased from A\$1,100,000 to A\$1,500,000 per annum (an increase of A\$400,000), effective from 1 January 2014. The fee pool is inclusive of statutory entitlements (including superannuation).

In accordance with the ASX Listing Rules and the Constitution, the Company must not increase the aggregate fee pool for Non-Executive Directors' remuneration without the approval of shareholders.

### b) Reasons for proposed increase

The reasons for the proposed increase are as follows.

- The current aggregate Non-Executive Director fee pool limit of A\$1,100,000 per annum was set at the nib Annual General Meeting on 27 September 2007. This meeting was held before the Company listed on the ASX in November 2007. The Board has not sought to increase the total fee pool since the Company listed in 2007.
- Since the Company's listing, nib has expanded its operations domestically and acquired a business in New Zealand.

In September 2010, the Group acquired IMAN Australian Health Plans Pty Ltd and in November 2012 purchased TOWER Medical Insurance Limited (TMIL), the second largest health insurance company in New Zealand. The governance requirements for the New Zealand operations require that TMIL's Board comprises a majority of independent Non-Executive Directors, including one New Zealand resident.

Following the acquisition of TMIL, three current Non-Executive Directors of nib were appointed as Directors of the Group's New Zealand subsidiaries. While the Non-Executive Directors serve on these boards, they will receive additional fees. Fees are also paid to the New Zealand resident Director, who is not a Director of nib. For the purposes of the total fee pool, the fees paid to the Non-Executive Directors are all counted in the fee pool (including the New Zealand resident Director).

- Based on the current composition of the nib Board, and counting the fees paid to the Non-Executive Directors of the New Zealand subsidiaries, the total fees payable to Directors for the 2013/14 financial year will be approximately \$947,000, which represents 86% of the total current fee pool.

- The proposed increase to the Non-Executive Director fee pool is sought:
  - to provide sufficient scope for possible Board expansion and ongoing flexibility over the next five years;
  - due to the expansion of nib's operations domestically and internationally (with the entry into the New Zealand market), which has imposed additional governance obligations on the Group; and
  - to allow for the Board to set fees in light of the future workload of Non-Executive Directors (note the fee pool was set in 2007 before the Company listed on the ASX).

## ENCLOSURES

Enclosed with the Notice of Meeting are:

- i. a proxy form to be completed if you would like to be represented at the AGM by proxy. An electronic proxy facility is also available to shareholders via the nib shareholders website – [nib.com.au/shareholders](http://nib.com.au/shareholders).
- ii. an AGM question form to be completed if you would like a specific question to be addressed by the Chairman or Auditor at the AGM; and
- iii. a reply paid envelope for you to return either or both the proxy form and AGM question form.

## SCHEDULE (nib or the Company)

### Summary of the LTIP Rules

A grant of performance rights is subject to both the LTIP Rules and the terms of the specific grant as determined by the Board. The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of performance rights to participants in the LTIP.

### Eligibility and Participation

The Board may determine which persons are eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may, in its discretion, accept such applications.

### Options and Performance Rights

A person participating in the LTIP (“**Executive**”) may be granted performance rights on terms and conditions, including tenure conditions and performance hurdles, determined by the Board. A performance right has a nil exercise price and is exercised automatically on vesting unless determined otherwise by the Board.

### Consideration for Grant

The Board may determine the amount (if any) payable for the grant of a performance right from time to time.

### Vesting

Following the satisfaction of the performance hurdles applying to a performance right, the performance right vests on a date predetermined by the Board (“**Vesting Date**”).

### Accelerated Vesting at Board’s Discretion

The Board may, in its discretion, decide to accelerate the vesting of all or part of the performance rights held by an Executive if there is a winding up of the Company, a delisting of the Company, a change of control, reconstruction or amalgamation of the Company, death of a participant or a cessation of employment as a result of total disablement, redundancy or retirement.

### Lapse

An unvested performance right will lapse on the earliest of:

- a. the expiry date applicable to that performance right;
- b. the Board determining that the vesting conditions in respect of the performance right are not satisfied and not capable of being satisfied on the relevant testing date and that the performance right has lapsed;
- c. the Board making a determination in accordance with the terms and conditions of grant of the performance rights that the performance right has lapsed;

- d. the date the Executive ceases to be employed by nib or a Company in the Group due to being a “bad leaver” (being an Executive who ceases employment with nib or a Company in the Group by reason of summary dismissal, resignation (other than a mutually agreed separation) and any other reason the Board determines creates a “bad leaver” (other than a reason specified in e below)), unless the Board determines otherwise;
- e. the date the Executive ceases to be employed by nib or a Company in the Group due to:
  - (i) death;
  - (ii) total and permanent disablement;
  - (iii) retirement;
  - (iv) redundancy; or
  - (v) mutually agreed separation,in which case a pro rata number of each tranche of that Executive’s unvested performance rights (calculated in accordance with the LTIP Rules) will lapse 30 days after the date the Executive ceases employment and the balance of the Executive’s unvested performance rights will continue to be held by the Executive subject to the terms and condition of the grant of the performance rights and the LTIP Rules, unless the Board determines otherwise; or
- f. the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act (whether by omission or commission) of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Executive’s duties, the Executive is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of an nib entity, or the Executive has breached a confidentiality or non-compete obligation and that the performance right has lapsed.

### Delivery of Shares on Vesting of Performance Rights

Following the Vesting Date or the accelerated vesting of a performance right, the Executive will be allocated or issued the number of shares comprised in each performance right.

The Board has the discretion to have shares issued or transferred to an Executive on vesting of performance rights. Any shares issued or allotted under the LTIP will rank equally with those shares of the same class for the time being on issue, except for any rights attaching to those shares by reference to a record date prior to the date of issue or allotment.

## **Adjustment**

In the event of any capital reorganisation by the Company (including any bonus issues), an Executive's performance rights, and the shares allocated to the Executive on vesting of the Executive's performance rights, will be adjusted as set out in the LTIP Rules and otherwise in accordance with the Listing Rules. In general, it is intended that the Executive will not receive any advantage or disadvantage from such adjustment.

## **Restrictions on Disposal of Shares**

An Executive may not dispose of, deal in, or grant a security interest over any interest in, a share allocated to the Executive on the vesting of a performance right for any relevant period determined by the Board. The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction. Once the restriction is removed, and subject to the Company's Trading Policy, shares acquired on the vesting of performance rights may be dealt with freely.



