

**Minutes of the 61st Annual General Meeting
of Southern Cross Medical Care Society (Society)**

Held on Wednesday, 7 December 2022 at 2:30 pm
at Level 1, Te Kupenga, 155 Fanshawe Street, Auckland 1010
and

ONLINE through the Computershare Meeting Platform at
<https://meetnow.global/southerncross>

Present:

M P Jordan, Chair

C M Drayton, G R W France, M P Misur, J M Raue (online), D J Bridgman
and C J Black (Directors)

Senior Management and advisors, including N Astwick, S Azzopardi,
K Boielle, V Caisley, A McPhail, R Ogilvie, R Salton and L Valiant,
J Simperingham (Secretary), J Munro (KPMG, External Auditor), J Smeed
(Finity Consulting, Appointed Actuary) and others totaling approximately
100 Members.

Welcome:

The Chair welcomed Members and attendees to the Meeting.

**Meeting
guidance:**

The Chair outlined the voting and questions protocols to be followed in
dealing with the various motions to be considered at the Meeting.

Introduction:

The Chair introduced the Directors, the new Director candidate, Dr Dwayne
Crombie, and the Chief Executive Officer (CEO), Nick Astwick.

**Notice of Meeting
and Quorum:**

It was recorded that Notice of the Annual General Meeting (AGM) had been
given in accordance with the Rules of the Society, and as there was a
quorum present, the Meeting was declared open, and voting was declared
open on all items of business.

Chair's address:

Providing a general overview of the performance of the Society for the year
ended 30 June 2022 (FY22), the Chair noted that despite the uncertainty
caused by constantly changing financial, geo-political and social conditions,
the Society Group reported a surplus of \$90 million. This was higher than
expected due to a lower claims volume, with Members being unable to seek
healthcare support as a result of the impacts of Covid.

The Society expected claim numbers to return to pre-Covid levels and the
cost of claims to rise with inflationary pressures. Some of the surplus will be
used to keep premium increases as low as possible in the 2023 financial year.

The Chair acknowledged and thanked outgoing Director Roger France
whose contribution and wise counsel has been highly valued by the Board.

On behalf of the Board, the Chair thanked the CEO and his team for their hard work, consistently delivering care and support to the Society's Members.

Chief Executive's address:

The CEO welcomed Members and attendees to the Society's first hybrid AGM, and introduced the Society Leadership Team.

The CEO discussed some key features of FY22, which included further disruptions to private healthcare as New Zealand navigated a near 100-day lockdown in Auckland and many other Covid traffic light settings across the country:

- The Society reported a membership increase of 20,000 net new Members in FY22, bringing the membership to 908,000, the largest membership in 30 years.
- Southern Cross Travel Insurance transferred to the Society Group from the Southern Cross Health Trust. Along with Southern Cross Pet Insurance, this is a key investment for the Society that brings all Southern Cross insurance categories – health, life, pet and travel – together under one umbrella.
- The Society launched its Better '22 offer for Members in November 2021, through which the Society delivered free virtual GP consultations with CareHQ, free mental health and wellbeing consultations via Raise, and free flu vaccinations.
- The Society is a Toitū 'carbonreduce' certified organisation and has set a target to reduce its carbon emissions by 30 per cent by 2026 (against 2019 as baseline), and has a programme of initiatives in place aimed at achieving this target.
- The Society has had a Diversity and Inclusion (D&I) Strategy in place for five years, powered by a D&I forum of 43 members, and has had the Rainbow Tick for five years. The Society is continuing to develop its inclusivity commitments, including its focus on te ao Māori and building its cultural competency.

Finance Report:

The Chief Finance & Risk Officer (CFRO), Stefan Azzopardi, took the Meeting through the financial highlights for FY22, including:

- The Society delivered a surplus of \$80.4 million in FY22, noting that over the past five years the average surplus has been \$31.8 million, at the lower end of its targeted annual range of \$30-40 million. This level of surplus is necessary for the Society to maintain both its Reserve Bank of New Zealand (RBNZ) monitored solvency ratio and its credit rating.
- Over the year the Society paid out \$1.08 billion in claims, out of premium income of \$1.35 billion. Over the past five years, the Society has returned \$5.03 billion in claims out of premium income of \$5.82 billion received in premiums, which works out to be an average of 86 per cent of premiums returned in claims over that period.

- Over the FY22 financial year, market conditions resulted in negative investment returns, primarily on global equities and bonds, resulting in a loss across the whole portfolio of \$17.3 million.
- Responsible investment is important to the Board and the Society's stakeholders. Russell Investments manages 40 per cent of the investment portfolio that is not managed in-house. Russell Investments is a UNPRI (UN Principles for Responsible Investment) signatory and holds the highest possible UN rating for a responsible investor. This year the Society transferred its global equity holdings into Russell Investments' low carbon global equity fund.
- The Society has retained its A+ Standard & Poor's financial strength rating.

Formal Business:

The Chair recorded that the Annual Report and audited consolidated Financial Statements for the Society for the year ended 30 June 2022 have been made available to Members.

The Chair opened the Meeting for questions about the Annual Report and FY22 Financial Statements, and also invited Members to direct questions to Jamie Munro from KPMG, the audit partner, on the audit report or the audit process.

The question asked and responded to was as follows:

- Confirmation was sought that focusing on ESG and investing the Society's fund in low carbon funds would not compromise the investment yield to the Society. The Chair and CFRO indicated that the Society follows a conservative investment approach, with the bulk of the investment portfolio in New Zealand money market instruments. The Investment Committee's instructions to Management were that there should be an ESG leaning in the Society's investments, but not in a way that would compromise return, ensuring that the Society meets the RBNZ's solvency requirements. The benchmark for the low carbon fund was the same as for the previous fund, so over time the goal would be to maintain the same level of yield as in the previous portfolio.

Formal Resolutions:

Before considering the resolutions set out in the Notice of Meeting, the Chair indicated that the first four resolutions were ordinary resolutions and are required to be passed by a simple majority of the votes of those qualified Members entitled to vote and voting on the resolution. Resolution 5 is a special resolution requiring 75 per cent of votes to be cast in favour of the resolution for it to be passed.

Resolution 1 – To re-elect Julia Raue as a Director of Southern Cross Medical Care Society

The Chair noted that the Rules of the Society require two Directors to retire at each AGM. If the Directors are eligible, they may offer themselves for re-election.

To be eligible to hold office as a Director of the Society, an individual must meet and continue to meet the requirements of the Fit and Proper Standard set by the RBNZ, the Rules and any other applicable law, and must not otherwise be disqualified.

Roger France and Julia Raue are the two Directors who will retire at the Meeting. Roger France will not be seeking re-election, and Julia Raue, being eligible for re-election, and having been nominated by the Board, will stand for re-election.

Julia Raue spoke briefly to the motion.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

Resolution 2 – To appoint David Bridgman as a Trustee of Southern Cross Medical Care Society

The Chair set out the role of a Trustee and noted that due to Roger France's retirement as a Director and Trustee at the Meeting, there is one Trustee vacancy. The Board has nominated Director David Bridgman as the candidate for this vacancy.

David Bridgman spoke briefly to the motion.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

Resolution 3 – To elect Dr Dwayne Crombie as a Director of Southern Cross Medical Care Society

The Chair noted that due to the retirement of Roger France at the Meeting, the Board, through an independent recruitment firm, SEQEL, undertook a robust and thorough search for a Director candidate to fill the vacancy. As a result, Dr Dwayne Crombie has been identified and nominated by the Board in accordance with the Rules of the Society, as Director candidate, and, if elected, his appointment will take effect from the close of the Meeting.

The Board believes Dwayne Crombie will make a significant contribution to the Society, and his background and skill set will complement the skills of his fellow Directors. On this basis, the Board recommended Dwayne Crombie as Society Director and supported his election.

Dr Dwayne Crombie briefly spoke to the motion.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

Resolution 4 – That the annual total pool for Directors’ remuneration be increased from \$499,800 to \$637,000 from 1 January 2023, with a further increase to \$796,000 from 1 January 2024

The Chair declared a conflict of interest for this item on behalf of the Board, and handed over to Chief Legal & Governance Officer, Laura Valiant, to facilitate the discussion on this resolution.

The Chief Legal & Governance Officer noted that good governance is critical for every successful organisation, and that the Society Board has a direct responsibility to Members to keep premium increases as low as possible for the cover offered, while ensuring high quality day-to-day service and value are delivered and regulatory compliance maintained.

The Society is wholly focused on being fair and reasonable in all its activities and believes it is critically important to be able to attract and retain a group of suitably qualified, skilled and experienced Directors to ensure that there is adequate accountability for and oversight of those activities.

Directors’ fees have not changed since 2017 and as a result the Director remuneration pool currently sits well below the median for Directors of organisations of a similar size, industry type, and complexity.

In reviewing Board remuneration, the Board sought independent advice from Ernst & Young (EY) to provide an independent assessment as to the appropriate level of total Board remuneration. Una Diver from EY was at the Meeting to answer any questions about the review process, methodology and the content of the report.

The resolution was moved by the Chief Legal & Governance Officer.

The questions asked and responded to were as follows:

- A question was raised around whether it was fair and reasonable to increase Directors’ fees by a rate in excess of inflation. In terms of the methodology followed, EY explained that a comparator group was selected that mirrors the size, scope and complexity of the Society, noting that insurance is a complex and regulated industry, and that the Society is a large organisation. Consistent with the Society’s policy, benchmarking was against the median, which means that the Society Directors’ fees will sit at the midpoint level of fees within the market.

The Chair noted that there had not been a remuneration adjustment since 2017, particularly as a result of the disruption around Covid, and that the

Board felt it was not appropriate to bring forward a resolution until now. Following the independent advice from EY, the Chair was of the view that the proposed level of remuneration was fair and right to ensure the quality and leadership of Directors required to manage the Society through turbulent times and into the future. Ultimately Members had the final say by voting on the matter.

- A Member enquired what criteria was used to divide the remuneration pool between the Directors. The Chair noted the importance of providing the appropriate remuneration for each of the roles, indexed against independent reports and the market rates. The remuneration pool will be structured as set out in the Notice of Meeting.
- A few questions were received online about the timing of the proposed increase, given the current economic climate. The Chair noted that the Board recognised the current environment was difficult for everyone, and that it was appropriate that there was no remuneration adjustment during Covid. Going forward, the policy is to review Directors' fees every two years. If this resolution is passed, there will not be another review until 2026.
- A question was raised around the reason for two increases in such a short space of time. Noting that the policy is for Directors' remuneration to sit at the market median, the Chair explained that the Board felt it was more appropriate to lift remuneration in two stages. The proposal is that remuneration be increased to 80 per cent of the median next year, and then to 100 per cent of the median the following year.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

Resolution 5 – To adopt the Amended Rules of the Southern Cross Medical Care Society to replace the Society's existing Rules

The Chair noted that resolution 5 was a Board supported special resolution, requiring 75 per cent of votes to be cast in favour of the resolution to be passed.

As notified to Members in the Notice of Meeting, the complete Amended Rules document, including 'mark-ups' of the amendments, has been available for Members to view on the Society's website since 8 November 2022.

Three Rule changes were proposed:

- **Rule 4 – Registered Office**

The Society's registered office is currently stated in the Rules to be the EY Building in Takutai Square, Auckland. It was proposed that Rule 4 be amended to reflect the fact that the Society's registered office is now located at 155 Fanshawe Street, Auckland.

- **Rule 12.2 – Financial year**

Under Rule 12.2 the Society's Annual Report and Financial Statements are required to be made available to Members by 15 September every year. As it is proving increasingly difficult to meet this deadline for finalisation of the consolidated Financial Statements of the Society given the complexity of the Group, which includes three licensed insurers that offer health insurance, pet insurance and travel insurance, respectively, it was proposed that this date be moved to 30 September.

- **Rule 13.6 – Members' proposals**

Under Rule 13.16 a Qualified Member may give written notice to the Secretary of a matter the Qualified Member proposes to raise for discussion or resolution at the next AGM. Currently such notice must be given to the Secretary of the Society by no later than 1 October preceding the meeting. It was proposed that the date was moved to 15 October to allow a two-week period between the issue of the Financial Statements (30 September) and the final date for Members' proposals to be submitted.

The resolution was moved by the Chair. There were no questions on the resolution.

Following the meeting, the votes cast by electronic postal vote (in person and by proxy) were counted, and the motion was passed (refer Postal Votes Certificate attached as Annexure 1).

**General
Business and
Questions:**

With voting on the resolutions concluded, the Chair invited Members to raise any general questions and comments.

The comments and questions received were as follows:

- The Society was thanked for making the AGM available online and the call centre staff for the wonderful work that they do.
- In response to a question whether CareHQ doctor appointments would remain free to Members, the CEO confirmed that currently unlimited access to standard online GP consultations with CareHQ are available to all Members, as well as three complimentary mental health and wellbeing sessions with Raise and a free annual health check with MedPro, irrespective of the plan they are on.
- A question was raised around whether the Society intended using models and imagery in its advertising that reflected New Zealand's diverse population. The Chief Sales & Marketing Officer, Kerry Boielle, confirmed that as a contemporary New Zealand business, anybody representing the Society in any imagery and advertising campaigns is reflective of our beautiful country, Aotearoa, and hoped that people were already seeing a shift in that space.

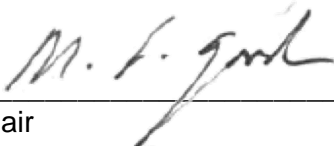
- In response to a question whether the Society would continue to lobby political parties for tax exemption of premiums, the CEO indicated that efforts to lower the limits or eligibility around fringe benefit tax continued.
- A Member asked why emergency access to more acute health services was not available to Members when they really needed it. The CEO explained that the Society does not fund acute emergency services, which the public health system provides.
- In response to a question whether the Society had any upcoming acquisitions planned, the CEO indicated there were no acquisitions planned at this point.
- A question was asked on how the Board and Trustees represent the younger demographic within the Society, making sure that they have access to the services and features they need to help them on their health journeys. The Chair explained that from the Board's perspective, every demographic is important and not one in particular. The Society is an equitable organisation that is reactive to Members' requirements, and proactive in terms of providing what each of those demographics, young and old, require into the future. The Board relies heavily on external information acquired through market research and conversations with Members and prospective Members around their requirements, and not only on the Directors' own potential personal biases.

The CEO pointed out that half of the Society's Members are 39 years and younger. The marketing team does a lot of work around the various segments of the membership, making sure that the Society delivers the propositions that are highly relevant to them. The voice of the young membership was a catalyst of the Better '22 campaign. For younger people elective surgery is not as important as when you are 50 or 60 years old. Younger families are looking for virtual access to primary care, mental health and wellbeing, and flu vaccinations and health prevention. The Society listened and will continue to listen to keep a sustainable insurance proposition alive.

- A Member asked whether the Society had any plans to address the problem with access to GPs in Taranaki. The CEO noted that the Society constantly monitored access to specialists and healthcare services region by region, and would certainly look into the coverage of GPs in the Taranaki region.

The Chair thanked Members for their attendance, as well as their contributions and thoughtful questions. Those Members attending in person were invited to join the Board and Management for refreshments.

The meeting closed at 4.00 pm.



 Chair

14 February 2023

 Date

Annexure 1



Southern Cross Medical Care Society Annual General Meeting 2022

POSTAL VOTES CERTIFICATE

Resolution	For	Against
1. To re-elect Julia Raue as a Director of Southern Cross Medical Care Society.	3,308	258
2. To appoint David Bridgman as a Trustee of Southern Cross Medical Care Society.	3,316	206
3. To elect Dr Dwayne Crombie as a Director of Southern Cross Medical Care Society.	3,349	199
4. That the annual total pool for Directors' remuneration be increased from \$499,800 to \$637,000 from 1 January 2023, with a further increase to \$796,000 from 1 January 2024.	1,931	1,594
5. To adopt the Amended Rules of the Southern Cross Medical Care Society to replace the Society's existing rules.	3,181	272

I, Jacky Simperingham, have been authorised by the Board to receive and count postal votes for the 2022 Southern Cross Medical Care Society Annual General Meeting.

I have carried out the duties set out in Rule 13.13 (e) (i) and (ii) and the postal vote results are shown in the table above.

Signed  Date 12 December 2022