

AGM Agenda item 5. To set the remuneration for the Board Directors

Board Remuneration

The UniMed directors consider Board remuneration prior to the AGM, having regard to current remuneration, market rates, and the financial position of UniMed. There has been no increase to the director remuneration since July 2022, and in the three years from 2019 to 2022 the combined increase over that period was 7%. In the same six year period the organisation has grown over 160% and staffing levels have almost doubled.

Operating in a highly regulated environment, UniMed's governance responsibilities are elevated. Reserve Bank of NZ regulatory requirements, and the Conduct of Financial Institutions (CoFI) compliance obligations that are monitored by the Financial Markets Conducts Authority are extensive. Financial and Insurance legislation is changing rapidly, creating increased monitoring and compliance requirements for UniMed, and requiring more proactive engagement with the regulatory bodies. In addition, the complex dynamics of the health insurance market and wider health sector operating environment requires a higher level of board level strategic planning to ensure ongoing financial sustainability. This all means that maintaining a high level of expertise and experience within the director skillset is critical to the ongoing success of the Society.

Noting their conflict of interest in recommending their fees to the membership, the Board sought a review from independent advisor Strategic Pay. The Strategic Pay review was specific to UniMed directors' duties and responsibilities and the UniMed operating environment, comparing to similar sized insurance and financial services related organisations in New Zealand.

Independent Evaluation – Strategic Pay (appendix one)

Strategic Pay's report was received in August 2025 and identified that UniMed directors are paid materially less than market rates. The report advised that a fee uplift in the region of 60% would be necessary to meet the lower level of the applicable director remuneration banding in market. Unfortunately, not increasing director fees on a more regular basis, has resulted in a significant variation to market meaning current directors are not being adequately compensated for the responsibilities and duties they assume in their governance obligations for UniMed.

The report identified the highly regulated environment that UniMed operates within and the significant increase in organisational size since the 2024 Accuro portfolio transfer and operational combination. UniMed has an annual turnover of \$180 million, assets of \$200 million, 140,000 members, and over 100 staff.

2024 Accuro Portfolio Transfer

The portfolio transfer from Accuro to UniMed effective 1 June 2024 has elevated UniMed to the third largest health insurance provider in New Zealand. At the time of transfer, Accuro had 2% of the NZ market, UniMed 7%.

Comparing the governance oversight at that time demonstrates that UniMed governance has not been right sized since the acquisition:

Financial Year to June 2023	No. of Directors	Director Remuneration pool
UniMed	6	\$340,000
Accuro	6	\$245,000
<i>Total</i>	<i>12</i>	\$585,000
Financial Year to June 2025		
UniMed	6	\$340,000

Fee Recommendation

The Directors' preference is to recommend a stepped increase over several years as a route to bringing the fees more in line with market, recognising the difficult economic times that many members are experiencing and the recent upward pressure on premiums. It is essential that UniMed does pay its directors market rates to ensure the ability to attract the right calibre and skillset to govern an organisation of this size and scale.

The Board has considered the Strategic Pay report as well as other data available through the Institute of Directors, and seek an increase to the director remuneration to partially address the identified shortfall to existing director fees:

Role	Current Fee *	Strategic Pay – recommended low point	Proposed Fee * AGM 2025	Rationale
Chair	\$87,410	\$140,000	\$120,000	2X base Director fee
Deputy Chair	\$58,033	\$93,100	\$ 79,800	1.33X base Director fee
Director who chairs a board sub-committee	\$49,705	\$78,000	\$ 68,000	Base fee plus \$8k for committee chair responsibilities
Director	\$43,705	\$70,000	\$ 60,000	Base fee

*Fees are gross and subject to tax

Board, Committees, and Meeting Cadence

The Board officially meets six times per year for a full day meeting, with a further three to six 'out of cycle' meetings per annum of shorter duration, typically online, depending on requirements. In between meetings all Directors are expected to proactively keep themselves knowledgeable of events and circumstances that are material to UniMed, the health insurance industry, and governance matters. They must stay connected and respond to materials circulated regularly.

The Chair has additional responsibilities including the relationship with the Chief Executive through regular meetings and contact. The Chair is often called upon for media comment and is required to represent the organisation in industry wide forums and hold key relationships across the sector. They chair the board, setting the meeting agenda, and support directors in their knowledge and governance development.

The Strategic Pay review advised: *“Chair Fees – UniMed is currently paying at a 2.0:1X ratio of chair to base annual director fees. NZ current market practice pays base annual chairs fees at a range of 1.7 to 2.0X ratio to base annual director fees. This ‘premium’ reflects the additional responsibilities, scope and risk borne by chairs. Chairs typically receive no separate committee fees, although they often attend these meetings.”*

The Deputy Chair steps in for the Chair as required and is an active participant in all sub-committees of the Board and UniMed pays a ratio of 1.33:1X base annual director fee.

There are two Board sub-committees: Audit and Risk (meets 5 times per annum); and People and Culture (meets 4 times per annum). At times they may be required to hold 'out of cycle' meetings of shorter duration typically online. A director is selected as the chair of each board sub-committee for their specific area of expertise.

A director, who is not the chair, deputy chair, or sub-committee chair, is required to be a member of at least one sub-committee, with their attendance and participation compensated within the base fee.

For the year ending June 2025, the scheduled official meetings numbered:

- Board - six
- Audit and Risk - five
- People and Culture - four

However, there were a further ten meetings held throughout the year due to particular events or circumstances. During this year these events included the sale of +IMPAC, and the recruitment of a new Chief Executive.

This excluded meetings that were held by a subset of the Board who undertook an evaluation of the Society Rules and have prepared a full revision that will be put to a Special General Meeting in March 2026. Directors of the Rules Working Group met four times to fulfill these responsibilities.

Board Remuneration Reviews to be more frequent

The UniMed Board will undertake a formal remuneration review at least every two years in future to ensure that they stay in step with the market. This will ensure that the Board is able to continue to attract the right calibre and skillset of director to run an organisation of this size and scale.

The Strategic Pay review advised: *“Strategic Pay recommends a formal review of directors’ fees at least every two years as good practice. While such reviews may or may not result in increases, it enables the organisation to track market movements, avoid ‘getting behind’ and to ensure appropriate and competitive fees are paid to board members. Additionally, this practice ensures that costs are controlled year on year and minimises large periodic increases.”*

AGM Resolution

It is proposed that the total sum allocated for director remuneration is increased from \$340,000 to \$465,000 per annum, this being a 37% increase from the previous increase as at July 2022.

2. Recommendation

2025 DIRECTORS FEES POLICY

Our recommendation is based on several factors including the organisation size, ownership, and industry of UniMed, and the market data presented below.

We recommend the following criteria for the 2025 policy for base annual fees:

- Market Data from 2025 Strategic Pays NZ Directors' Fees Report / Customised Analysis
- Market Comparator Private Sector & Revenue
- Market Position Median
- Fees Range A range of \$4,000 around the Median
- Ratio 2.0:1X ratio applied to director fees to determine chair fees
1.33:1X ratio applied to director fees to determine deputy fees

2025 COMMITTEE FEES POLICY

We recommend increasing the fees for both the Audit and Risk committee chair and the People and Culture committee chair. We are aware that the workload for both committee chairs has increased considerably in the last two years. The recommended fees range for the committee chairs is market competitive. The table on page 12 of this report details committee fee market practice.

We can also support payment of committee member fees at half the chair levels, if you choose to do so. We find that over time, more work, and more responsibility are being dealt to committees from full boards.

RECOMMENDED FEES RANGES & COMMITTEE FEES

Role / Committee	Current Fees	Recommended Fees Range		% Increase
Chair	\$87,410	\$140,000	\$156,000	
Deputy Chair	\$58,033	\$93,100	\$103,740	
Director x 4	\$43,705	\$70,000	\$78,000	
Audit & Risk Committee Chair	\$6,000	\$8,000	\$10,000	
People & Culture Committee Chair	\$6,000	\$8,000	\$10,000	
Total Governance Pool	\$332,263	\$529,100	\$591,740	59.2% to 78.1%

In our view, the recommended ranges represent market levels appropriate for your organisation given the context provided and reflects the directors' fee policy. The current fees are low when considering the growth of the organisation as well as the fact that the UniMed director fees have increased 7% since the 2021 Director Fees Review completed by Strategic Pay. In this time, the market has moved to a greater extent.

It is the board's prerogative whether to accept the Strategic Pay Recommendation or not, based on both internal and external factors best understood within the organisation. Also considering what may be deemed palatable to stakeholders at this time. Transitioning over time to the desired market position may be considered as an appropriate course of action.

Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by board members.