



# Board Charter

CBHS Health Fund Limited

(CBHS)

December 2019

# Table of Contents

Table of Contents	1
<b>BOARD CHARTER</b>	<b>2</b>
1. Purpose of this Charter	2
2. Values	2
3. Role and Responsibilities of the Board	2
3.1 Role	2
3.2 Responsibilities	2
3.2.1 Strategy	3
3.2.2 Oversight of Management and other appointments	3
3.2.3 Members and other stakeholders	3
3.2.4 Oversight of financial and capital management and reporting requirements	3
3.2.5 Risk Management	3
3.2.6 Board Performance	4
4. Role and Responsibilities of Chairman, CEO and Company Secretary	4
4.1 Chairman	4
4.2 Company Secretary	4
4.3 Group Chief Executive Officer	5
5. Delegations of Authority	5
5.1 Delegation to committees	5
5.2 Delegations to CEO and Management	5
6. Membership	6
6.1 Composition, Size and Renewal	6
6.2 Appointment and re-election of directors	6
6.3. Independence	7
6.4. Conflicts of interest	7
6.5. Conduct of individual directors	7
7. Board process – How Decisions are to be made	8
7.1. Meetings	8
7.2. Independent professional advice	8
7.3. Access to management	9
8. Review and publication of charter	9
Attachment A	10

# **BOARD CHARTER**

## **1. Purpose of this Charter**

The purpose of this charter is to specify how CBHS Health Fund Limited (“CBHS”) and its related bodies corporate (the “CBHS Group”) are governed so as to promote CBHS and the interests of its members.

The Board of CBHS (“Board”) is responsible for the governance of CBHS. This charter sets out:

- i. the role and responsibilities of the Board, Committees and management;
- ii. which responsibilities are delegated to a Board Committee or to the Executive Management<sup>1</sup>;
- iii. the membership and operation of the Board;
- iv. a structure for determining how Board decisions are made; and
- v. details regarding the Board’s interaction with the CBHS Group.

This charter should be read in conjunction with the CBHS Governance Guidelines which provide detailed guidance with respect to each of the Board and committee processes

## **2. Vision, Purpose and Values**

The CBHS Group Vision is “More than great health insurance. Building healthier and happier communities”.

The CBHS Group Purpose is “Our member community is at the heart of everything we do”.

The CBHS Group Core Values are “CARE” and “More CARE”

- **C**ustomers First – our members are at the heart of everything we do;
- **A**ctive – we walk the health talk;
- **R**espect – we treat everyone ethically, fairly and with respect; and
- **E**xcellence – we strive to over-deliver on our promises.

The Board carries out the legal duties of its role in accordance with this vision and mission and having appropriate regard to the interest of its members, staff and the broader industry community in which CBHS operates.

## **3. Role and Responsibilities of the Board**

### **3.1 Role**

The Role of the Board is to provide overall strategic guidance for the CBHS Group and effective oversight of Executive Management. The Board ensures that the activities of CBHS comply with its constitution, from which the Board derives its authority to act, and with contractual, statutory and other legal obligations, including the requirements of all applicable regulatory bodies. The Delegations of Authority Policy and Constitution dictates the role and the areas of responsibility the Board has and what is presented by Executive Management for approval or oversight by the Board.

To assist in achieving this role, the Board has reserved to itself the following specific responsibilities outlined in paragraph 3.2 below.

### **3.2 Responsibilities**

The Board is responsible for:

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<sup>1</sup> Executive Management refers to the Group Chief Executive Officer & Executive Director and their direct executive reports.

### 3.2.1 Strategy

- i. overseeing the development of CBHS' corporate strategy through effective engagement with Executive Management; and
- ii. monitoring performance against, and implementation of, that strategy.

### 3.2.2 Oversight of Executive Management and other appointments

- i. the appointment of and, if appropriate, removal of Executive Management;
- ii. approving Executive Management remuneration policies and practices;
- iii. monitoring the performance of management directly and through its Committees;
- iv. appointment of the Appointed Actuary; and
- v. appointment of the External Auditor.

### 3.2.3 Members and other stakeholders

- i. ensuring effective communication with members, including convening members' meetings, listening and responding to members' views of Executive Management and of CBHS;
- ii. facilitating the effective exercise of members' rights in accordance with the constitution;
- iii. ensuring accurate reporting to members;
- iv. monitoring CBHS' relationship with other key stakeholders such as the CBA and regulatory authorities;
- v. communicating with members and the industry community at the appropriate times, the results of and the developments in the business of CBHS;
- vi. approving and monitoring the CBHS Health Fund Rules; and
- vii. establishing and monitoring CBHS' corporate employment and workplace health & safety policies.

### 3.2.4 Oversight of financial and capital management and reporting requirements

- i. approving the annual business plan and budget;
- ii. approving expenditure not approved within the annual business plan and in excess of limits delegated to management;
- iii. reviewing, approving and monitoring the progress of major capital expenditure or corporate initiatives;
- iv. approving investment management initiatives including establishing and monitoring the Investment Policy Statement;
- v. ensuring CBHS Group is financially sound, meets prudential requirements and has appropriate financial reporting practices;
- vi. ensuring CBHS meets regulatory requirements;
- vii. ensuring processes are in place for the maintenance of integrity for internal controls and financial and management information systems; and
- viii. reviewing and approving financial statements, financial reports and the Annual Report.

### 3.2.5 Risk Management

- i. establishing, overseeing and regularly reviewing a system for identifying, assessing, monitoring and managing risk throughout CBHS;
- ii. establishing, overseeing and regularly reviewing systems of internal compliance, risk management and control and ensuring they are operating effectively; and
- iii. establishing, overseeing and regularly reviewing written policies and procedures governing risk oversight and management including adoption of a Risk Management Framework (including Risk Appetite Statement and ancillary risk documentation).

### 3.2.6 Board Performance

Establishment of a Policy and applicable procedures for setting objectives with respect to Board performance and undertaking an annual assessment of those objectives.

The Policy and applicable procedures must provide for an assessment of individual Directors, Board Committees and the Board collectively.

In addition, to be responsible for the overall corporate governance of CBHS, including the establishment and empowerment of Committees of the Board to assist the Board in fulfilling its functions.

### 3.3 Board interaction with the CBHS Group

- i. The Board approves corporate policies and procedures as required for CBHS. Where such corporate policies and procedures can apply to another entity within the CBHS Group they are referenced accordingly;
- ii. The Board must ensure that all CBHS Group policies and procedures take account of each entity within the CBHS Group which is a private health insurer;
- iii. Where a corporate policy, procedure, statement or other applicable document (“Document”) which is required to be approved by the Board of any other CBHS Group entity needs to be different as a result of the differing circumstances of that CBHS Group entity, such applicable Document will be prepared as a stand-alone Document subject to any specific guidelines or requirements not unreasonably requested by the Board; and
- iv. The Board ensures CBHS Group entities can access and use the resources of CBHS to assist with operations and governance matters on such terms reasonably agreed between CBHS and any applicable CBHS Group entity. Such resources include the Audit & Risk Committee.

## 4. Role and Responsibilities of Chairman, CEO and Company Secretary

### 4.1 Chairman

The Chairman is an independent and Non-Executive Director appointed by the Board. The Chairman cannot be the same person as the CEO or have been the CEO of CBHS at any time during the previous three years. The Chairman is responsible for ensuring the Board functions effectively and for communicating the views of the Board to members, when so required.

### 4.2 Company Secretary

The Company Secretary (or their approved delegate) acts as secretary to the Board, attending all meetings of the Board and Committees as required. The Company Secretary is accountable to the Board through the Chairman on all corporate governance matters. The Company Secretary also acts as the facilitator between the Board and Executive Management and assists the Executive Management team in understanding the requirements and expectations of the Board. This will include:

- oversight of Board papers to ensure sufficient and relevant information is contained in the Board papers to enable the Board to make a decision when a decision is sought; and
- ensuring that Board papers are delivered in a timely manner to ensure there is sufficient time for the Board members to consider information where a Board decision is sought.

Further specifics of the Company Secretarial role are contained within the position description of the Group General Counsel & Company Secretary.

### **4.3 Group Chief Executive Officer**

Subject to the powers reserved for the Board, the Board has delegated the day to day management of CBHS to the Group CEO.

The Group CEO is accountable to the Board for the exercise of authorities delegated to the Group CEO and Executive Management team by the Board and for the overall performance of CBHS.

Further specifics of the Group CEO role are contained within the position description of the Group CEO. Key Performance Indicators of the Group CEO are also agreed with the Group CEO on an annual basis and guide the role of the Group CEO.

## **5. Delegations of Authority**

### **5.1 Delegation to Committees**

Under its constitution, the Board may delegate responsibility to Committees to consider certain issues in further detail and then report back to and advise the Board. Delegations must be in writing and retained as a record by CBHS.

The Board must ensure there are procedures in place to enable it to monitor the exercise of delegations and must not abrogate its responsibilities through the use of delegations.

Standing Committees established by the Board will adopt charters setting out the role, authority, responsibilities, membership and operation of the Committee.

There are currently four standing Committees:

- i. Audit Committee
- ii. Risk Committee
- iii. People & Remuneration Committee; and
- iv. Asset & Liability Committee.

CBHS may establish other Committees from time to time to consider other matters of special importance. Directors are entitled to attend Committee meetings and receive Committee papers, irrespective of whether they have been officially appointed to that Committee. Committees will maintain minutes of their meeting. The Chairman of each Committee will report back on Committee meetings to the Board at the next full Board meeting.

### **5.2 Delegations to Group CEO and Executive Management**

The Board has, in accordance with its constitution, delegated to the Group CEO the authority to manage the day to day affairs of CBHS and the authority to control the affairs of CBHS in relation to all matters other than those responsibilities reserved to itself or its Committees in this charter. The Board may impose further specific limits on Group CEO delegations.

The Group CEO has authority to delegate to Executive Management who report directly to the Group CEO and to approve sub-delegations proposed by Executive Management. This delegation framework which includes the Group CEO's delegations to Executive Management is set out in the Delegations of Authority. The Delegations of Authority and any sub-delegations by members of Executive Management will be maintained by the Group Company Secretary (or their approved delegate) and will be reviewed by the Board on an annual basis.

## **6. Membership**

### **6.1 Composition, Size and Renewal**

The Board will consist of a minimum of five and a maximum of seven directors (subject to any increase in accordance with CBHS' constitution) excluding the Chief Executive Officer. The majority of the Directors must ordinarily reside in Australia. The majority of the Board should be independent Non-Executive Directors at all times. CBHS will disclose the names of the Directors considered by the Board to be independent Directors.

In determining the composition of the Board, the Board will seek to ensure that the Directors of the Board have a range of skills, knowledge and experience:

- i. To understand collectively the risks to the private health insurer;
- ii. To understand the insurer's legal and prudential obligations;
- iii. To oversee effectively the management of the private health insurer; and
- iv. To contribute effectively to the board's deliberations and processes.

The Board will establish a policy for Board renewal to ensure that:

- i. the Board maintains an appropriate balance of skills, experience and expertise on the Board;
- ii. the Board remains open to new ideas and independent thinking; and
- iii. consideration is given with respect to the length of time a Director has served on the Board, and whether this could affect his or her ability to perform his or her duties.

### **6.2 Appointment and re-election of Directors**

The Board is responsible for the process of selection and appointment of any vacant Board position. Prior to considering prospective candidates, the Board will review the Board skills matrix and identify candidates with appropriate skills, experience and expertise in line with the Board's then current requirements. When the Board considers that a suitable candidate has been found, that person may be appointed by the Board to fill a casual vacancy in accordance with CBHS' Constitution, but must stand for re-election in accordance with CBHS' Constitution at the next Annual General Meeting.

Before appointing a Director to the Board, the Board will ensure appropriate background checks (which may include criminal record, bankruptcy, education and character reference checks) have been undertaken in respect of the candidate to ensure that the individual isn't contained on the APRA disqualified persons register and must ensure that a Fit and Proper person declaration is received and contains information to support the appointment to the Board.

Directors will be engaged by a letter of appointment setting out the terms and conditions of their appointment. Directors will be expected to participate in any applicable induction or orientation programs on appointment, and any continuing education or training, which may be arranged for them from time to time to ensure they develop and maintain skills and knowledge needed to perform their role as Directors effectively.

Directors must retire from office in accordance with the constitution. Retiring Directors may be eligible for re-election. Before each Annual General Meeting, the Chairman of the Board will facilitate the performance assessment of any Director standing for re-election and the Board will determine whether to recommend that Director to members with respect to their re-election (with the Director involved being absent). The Board (excluding the Chairman), will conduct the review of the Chairman.

CBHS must disclose the length of service of each Director.

### **6.3. Independence**

All Directors - whether independent or not - should bring an independent judgment to bear on all Board decisions.

A Director is considered independent by CBHS if the Director is a Non-Executive Director who is not a member of management and is free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment or could reasonably be perceived to do so.

An independent Director of CBHS does not cease to be an independent Director only because he or she is appointed to be a Director of a subsidiary of CBHS. An independent Director of CBHS is one which meets the APRA Governance standard requirements with respect to independence. These are outlined in Attachment A.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of CBHS and its members generally.

The Board conducts an ongoing assessment of the independence of each Director in light of any interests disclosed by a Director. Each independent Director must provide the Board with all relevant information for review as soon as reasonably practicable. The outcome of this assessment will be reflected in the corporate governance section of CBHS' annual report.

### **6.4. Conflicts of interest**

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of CBHS. All Directors are required to disclose to the Board details of transactions which may create a conflict of interest for them in the decisions placed before the Board, in accordance with the Corporations Act 2001 (Cth) and as per the requirements set out in the Board approved Conflict of Interest Policy.

### **6.5. Conduct of individual Directors**

Directors must at all times act in accordance with legal and statutory requirements, and discharge all their duties as directors. Directors must:

- i. discharge their duties in good faith and in the best interests of CBHS and for a proper purpose;
- ii. act with care and diligence, demonstrate commercial reasonableness in their decision making and act with the level of skill and care expected of a Director of a major company, including by applying an independent and enquiring mind to their responsibilities;
- iii. avoid conflicts of interest except in those circumstances permitted by the Corporations Act;
- iv. not make improper use of information gained through their position as a director;
- v. not take improper advantage of their position as a Director;
- vi. notify other Directors of a material personal interest when a conflict arises;
- vii. make reasonable enquiries if relying on information or advice provided by others;
- viii. give CBHS, ASIC or APRA all information required by the Corporations Act and the Governance Standard under Schedule 1 of the *Private Health Insurance (Insurer Obligations) Rules 2009*; and
- ix. not permit CBHS to engage in insolvent trading.



## **7. Board process – How Decisions are to be made**

### **7.1. Meetings**

All Board meetings will be conducted in accordance with CBHS' Constitution and the Corporations Act.

Each Board meeting is to have a structured agenda to ensure that an appropriate amount of time is spent on strategic issues, corporate governance, committee reports, the private health insurance and general health environment, risk and the overall monitoring of business performance.

Directors are committed to collective decision making but have a duty to question and raise any issues of concern to them. The Chairman of the Board is to encourage all Directors to contribute to the discussion of each issue. All discussions are to be conducted in a professional, frank and transparent manner with each Director contributing their independent thoughts and judgements in discharging their responsibilities. Individual Directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.

Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.

In the normal course of business where a Board decision is sought, that Board decision will require a Board paper to ensure that appropriate information is provided to enable the best decision to be made. There may however be situations where time limitations prevent or where an accompanying paper is not required. All Directors are expected to prepare adequately, attend and participate at each Board meeting. All Directors should actively consider the sufficiency of the contents of the Board papers that they have been provided for consideration.

The Board should assess the information that it receives, and the timing of its distribution must ensure the Board has sufficient time to examine the material provided to it for approval.

A draft resolution is to be proposed in relation to each paper where a decision is required. At the conclusion of discussions, the proposed resolution is either passed as is, amended and passed, or rejected.

Non-Executive Directors will periodically meet without Executive Directors or Executive Management present.

The Board may request or invite Management or external consultants to attend Board meetings, where necessary or desirable. Time is to be allowed at each meeting for Management to provide any updates to the information provided in the Board and Committee papers and Directors are to be encouraged to ask the relevant Manager(s) any questions they may have in relation to the issue being discussed.

The Board may conduct meetings by telephone or video conference or by way of round robin resolution.

Minutes of each Board and Committee meeting will be prepared recording the documents provided and decisions made.

### **7.2. Independent professional advice**

Following consultation with and consent from the Chairman, Directors may seek independent professional advice at CBHS' expense in respect of any matter connected with the discharge of their responsibilities.

The Chairman must not unreasonably withhold consent to obtain advice and must inform the Board of the request as soon as possible. Any advice obtained at CBHS' expense under this clause 7.2 must be made available to CBHS and generally will also be made available to all directors. Further information is provided in the Independent Advice Procedures which forms part of the Corporate Governance Guidelines.

### 7.3. Access to Executive Management

The Directors have complete and open access to Executive Management.

## 8. Review of charter

The Board is responsible for reviewing this charter and the division of functions and responsibilities in CBHS to determine its appropriateness in light of the needs of CBHS from time to time. The charter may be amended by resolution of the Board.

### 8.1 Version Control

Version #	Date Created	Changes	Approved By	Date Approved
V1.0	January 2016		The Board	January 2016
V1.1	December 2017	Annual Review – inclusion of Vision and Mission, changes to corporate Values, minor changes to references to risk management and delegations of authority documentation and support provided to the Board by the Corporate Secretariat	The Board	21 December 2017
V1.2	December 2018	Annual Review – inclusion of updated CBHS Group Vision	The Board	20 December 2018
V1.3	December 2019	Annual Review – Update of Board Committees and Vision & Purpose	The Board	12 December 2019

## Attachment A

1. Independent director means a director of a private health insurer who:
  - a. Is not an executive director; and
  - b. Either:
    - i. Is free from any business or other association that could materially interfere with the exercise of his or her independent judgement, including not being:
      - A. A substantial shareholder of the private health insurer or an officer of, or otherwise associated directly with, a substantial shareholder of the insurer; or
      - B. Employed by, or previously employed in an executive capacity by, the insurer of another member of the group, and has not ceased that employment at least 3 years before serving on the board of the insurer; or
      - C. Someone who has, within the last 3 years, been a principal of a material professional adviser or a material consultant to the insurer, another member of the group or an employee materially associated with the service provided, or
      - D. A material supplier or customer of the insurer or other group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer, or
      - E. Someone with a material contractual relation with the insurer or another group member other than as a director; or
    - ii. Has been approved in writing as an independent director by APRA.

Note: A person who is a member of a private health insurer that is a mutual society or restricted access group would not by that fact alone be a person described by subparagraph 1biA of this Attachment. The definition of substantial shareholder in HPS 001 makes clear that a person must have in the insurer a substantial holding as defined in section 9 of the *Corporations Act 2001*.