

# HBF Health Limited

## Board Charter

### 1. Board Charter

- 1.1 This Board Charter (**Charter**) outlines the roles, responsibilities, and duties of the Board of Directors (**Board**) of HBF Health Limited (HBF) and sets out the manner in which the Board discharges its responsibilities.
- 1.2 The Charter reflects and aligns with various legal and regulatory requirements, including the *Corporations Act 2001* (Cth) (**Corporations Act**), HBF's Constitution, the Australian Prudential Regulation Authority's (APRA) Prudential Standards, including CPS 510 – Governance, the *Private Health Insurance (Prudential Supervision) Act 2015* (Cth), and the *Private Health Insurance Act 2007* (Cth).

### 2. Role of the Board

- 2.1 The Board is committed to upholding the highest standards of corporate governance and acting in the best interests of HBF, its policyholders, and its stakeholders.
- 2.2 The Board is ultimately responsible for overseeing the sound and prudent management of HBF. This includes setting the long-term strategy of HBF, overseeing financial performance, and ensuring business sustainability.
- 2.3 The Board is ultimately responsible for HBF's Risk Management Framework (RMF) in accordance with APRA Prudential Standard CPS 220 - Risk Management and oversees the operation by management of the RMF. The Board sets HBF's risk appetite and approves HBF's Risk Appetite Statement (RAS) and Risk Management Strategy.
- 2.4 In fulfilling its role, the Board seeks to, among other things:
  - (a) approve HBF's business plan and strategic plan and oversee management's execution and delivery of the business plan and strategic plan;
  - (b) promote and sustain a culture that is aware of, and manages, risk effectively and consistently within its risk appetite; and
  - (c) set and uphold high ethical standards and values that align with HBF's Code of Conduct.
- 2.5 The Board has specifically reserved for itself the authority to oversee key matters as set out in Attachment 1.

### 3. Board Committees

- 3.1 The Board may establish committees to assist it in fulfilling its responsibilities. Each committee's charter outlines the roles, responsibilities, and duties of the committee. The Board has established five standing committees: the Audit, Nominations, People, Culture and Remuneration, Risk, and Transformation committees.
- 3.2 The Board will appoint the members of each committee, including a non-executive director as Chair of the committee, and will periodically review the appropriateness, membership, and charter of each committee.
- 3.3 The Board will consider recommendations from the respective board committees on relevant and related matters.
- 3.4 The Chair of a committee will report to the Board on the business of the Committee, and the minutes of each committee meeting will be made available to directors at the next Board meeting.
- 3.5 The Board may otherwise establish ad hoc committees as necessary.

## 4. Delegation of Authority

- 4.1 Subject to section 4.2 of this Charter and the matters expressly reserved to the Board, the Board delegates the day-to-day management of HBF to the 'Managing Director and Chief Executive Officer' (CEO) and through the CEO, to the executive management and senior management personnel.
- 4.2 The Board has established a Delegated Authority Policy which outlines the division of responsibilities between the CEO, Company Secretary and management. The CEO must comply with the Delegated Authority Policy in discharging their duties (including ensuring that management do the same) and must seek the Board's approval prior to materially deviating from the Delegated Authority Policy. The Board monitors the CEO's adherence to the Delegated Authority Policy and holds the CEO accountable for its discharge.

## 5. Role of the CEO

- 5.1 The CEO's responsibilities include:
  - (a) managing HBF's overall performance and day-to-day operations;
  - (b) formulating and implementing HBF's strategic plan and business plan;
  - (c) monitoring performance against HBF's business plan and budget;
  - (d) supervising the executive management team in the implementation of the RMF and related internal controls;
  - (e) monitoring and managing all material risks consistent with the strategy, RAS and policies approved by the Board;
  - (f) maintaining legal and regulatory compliance;
  - (g) preparing timely and accurate information to assist the Board in discharging its duties; and
  - (h) being available to meet with regulators as required.
- 5.2 The CEO may establish management committees to assist with these responsibilities and must adhere to accepted business practices and professional ethics.
- 5.3 The CEO will report to the Board at each meeting and advise the Board (or relevant committee) of material matters affecting HBF or HBF's performance in a timely manner.
- 5.4 The CEO may engage with the Board Chair, as well as the chairs of any relevant Board committee, as required, between Board and committee meetings.

## 6. The Board Chair

- 6.1 The Board will nominate and elect an independent non-executive director as Chair, who must not have been the CEO of HBF in the preceding three years.
- 6.2 The Board Chair is responsible for leading the Board in fulfilling its role and ensuring that the Board operates effectively, efficiently and in accordance with the highest standards of governance and ethical conduct.
- 6.3 Specifically, the responsibilities of the Board Chair include:
  - (a) providing leadership to the Board and ensuring that the Board fulfills its responsibilities effectively and meets with sufficient frequency;
  - (b) providing guidance and support to the CEO, while maintaining a clear distinction and separation of duties between the Board and management.
  - (c) setting the agenda and ensuring that it addresses and considers key strategic, operational, and governance issues and that appropriate time and attention is devoted to agenda items and key strategic issues;
  - (d) promoting a constructive and collegial atmosphere during the Board's deliberations and seeking to ensure that all directors contribute to discussions and decision-making;

- (e) communicating the collective views of the Board to stakeholders, including Councillors, regulators, policyholders, and others, as required;
- (f) maintaining a constructive relationship with the CEO and promoting open and respectful relations between management and the Board; and
- (g) seeking to ensure that the Board maintains an open, constructive, and co-operative relationship with regulators, including APRA and the Australian Securities & Investments Commission (ASIC), and that all directors and committee chairs are available to meet with regulators on request.

## 7. Deputy Chair

- 7.1 The Board will nominate and elect one of the directors to be the Deputy Chair, subject to the requirements of HBF's Constitution.
- 7.2 The role of the Deputy Chair is to support the Board Chair in providing leadership to the Board and to support all directors to fulfil their responsibilities.
- 7.3 The Deputy Chair will assume the responsibilities of the Board Chair in the Board Chair's absence, or as otherwise required.

## 8. Role of the Non-Executive Directors

- 8.1 The roles and responsibilities of non-executive directors include:
  - (a) attending meetings and contributing to discussions and collective decision-making;
  - (b) being sufficiently and appropriately informed of relevant matters prior to taking part in decisions;
  - (c) providing challenge to the views of other Board members, where appropriate, and demonstrating an openness to being challenged;
  - (d) overseeing, including constructively challenging where appropriate, management's proposals, decisions and performance in meeting agreed goals and objectives and in monitoring and managing risks;
  - (e) seeking to ensure that HBF has appropriate processes and procedures in place to ensure it complies with relevant legal and regulatory requirements;
  - (f) dealing with regulators, including APRA and ASIC, in an open, constructive and cooperative way; and
  - (g) participating in the annual review of the Board's own performance and contributing to recommendations to the Board, as appropriate.

## 9. Role of the Company Secretary

- 9.1 The Company Secretary is directly accountable to the Board through the Board Chair, for all matters relating to the proper functioning of the Board. The appointment and removal of the Company Secretary is subject to Board approval.
- 9.2 The Company Secretary is responsible for:
  - (a) overseeing the statutory and administrative procedures relating to the operation of the Board and the governance of HBF, including the maintenance of all necessary company registers, preparing, and circulating Board papers and minutes of Board and committee meetings, and the lodgement of all necessary company secretarial filings;
  - (b) providing counsel to directors on corporate governance principles, relevant disclosures, requirements for Board training and other risk issues, while acting as a trusted advisor;
  - (c) collaborating with the Board Chair to promote the effective and transparent operation of the Board and to encourage timely implementation of Board decisions; and
  - (d) being available to meet with directors as required.

## 10. Board Composition and Propriety

- 10.1 Subject to 10.2 and in accordance with HBF's Constitution, the Board must comprise of a minimum of six and a maximum of nine directors.
- 10.2 As required by APRA Prudential Standard CPS 510 – Governance, Board composition will reflect the following requirements:
  - (a) the chairperson of the Board must be an independent non-executive director and must not have been the CEO during the previous three years;
  - (b) the majority of the Board must be independent non-executive directors at all times;
  - (c) the majority of directors must ordinarily reside in Australia;
  - (d) the majority of directors present and eligible to vote at all Board meetings must be non-executive directors;
  - (e) All directors must comply with HBF's Fit and Proper Policy, which is established in accordance with APRA's Prudential Standard CPS 520 – Fit and Proper.
  - (f) The Board composition includes directors with a broad range of skills, knowledge, expertise, and experience, necessary to discharge the Board's responsibilities.

## 11. Diversity

- 11.1 The Board acknowledges the value of diversity in all its forms, including but not limited to gender, age, ethnicity, cultural background, education, professional experience, and perspectives. The Board is committed to promoting diversity and inclusivity in its composition, processes, and decision-making.

## 12. Independence

- 12.1 The Board assesses the independence of each non-executive director on appointment and annually thereafter.
- 12.2 To be considered independent, a director must be a non-executive director who is free from any business or other association that could materially interfere with the exercise of their independent judgment.
- 12.3 When assessing director independence, the Board considers a range of factors, including whether a director:
  - (a) has, within the preceding 3 years, been employed in an executive capacity by HBF or another member of the group;
  - (b) has, within the preceding 3 years, been a principal of a material professional adviser or a material consultant to HBF or another member of the group, or an employee materially associated with the service provided;
  - (c) is a material supplier or customer of HBF or another member of the group, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer;
  - (d) has a material contractual relationship with HBF or another member of the group other than as a director;
  - (e) has close personal ties with any person who falls within any of the categories described above;
  - (f) has been a director of HBF for a length of time that could, or could be perceived to, materially interfere with the director's ability to act in the best interests of HBF; or
  - (g) has been a director of HBF or another member of the group for such a period that their independence from management may have been compromised.

### 13. Appointment and Renewal

- 13.1 The Board approves the appointment and re-election of non-executive directors, subject to HBF's Constitution (including the eligibility criteria and retirement by rotation rules), the Fit and Proper Policy and the Board Renewal Policy.
- 13.2 The Board acknowledges that a director's aggregate tenure should not exceed 12 years; however, this may be extended by the Board for specific reasons including to support business continuity, because of particular skills or capabilities of the director, or in exceptional circumstances.

### 14. Evaluating Performance

- 14.1 The Board assesses, at least annually, its own performance, the performance of its individual committees relative to objectives, and the performance of individual directors. This evaluation of performance occurs in accordance with the Board Renewal Policy.
- 14.2 The performance evaluation may be facilitated by an external consultant or may be conducted internally, at the Board's discretion.

### 15. Board Meetings

- 15.1 In accordance with HBF's Constitution, either the Chair or three directors may convene a meeting of the Board.
- 15.2 The Board meets at least quarterly, or more often, if necessary, to fulfill its responsibilities.
- 15.3 Directors in attendance, representing at least 50% of the Board, constitute a quorum. In the absence of the Board Chair, the Deputy Chair shall chair the meeting, and in the absence of the Board Chair and the Deputy Chair, the directors present at a meeting will elect one of their number to chair that meeting.
- 15.4 The Board may use technology to facilitate meetings, including video or teleconferencing, subject to the requirements of the Corporations Act and HBF's Constitution.
- 15.5 Non-executive directors may meet periodically without management present. The Board may request, or invite, management or external consultants to attend all, or part, of a Board meeting.

### 16. Agenda and Minutes

- 16.1 Each Board meeting will have a structured agenda. The agenda is determined by the Board Chair, the CEO, and the Company Secretary. Any director, the external auditor, internal auditor, and appointed actuary may request that a particular item is added to the agenda.
- 16.2 The agenda and supporting documentation will be distributed to directors within a reasonable time before each meeting.
- 16.3 Minutes of each Board meeting will be prepared by the Company Secretary and approved at the next Board meeting.

### 17. Induction

- 17.1 Each director is expected to undertake an induction program upon appointment to the Board, which covers HBF's history, governance, strategic objectives, and RMF.

### 18. Education and Training

- 18.1 HBF, through the Company Secretary, may arrange additional Director education and training sessions related to matters relevant to the industry and HBF's strategic plan including as detailed in the Board Renewal Policy.

### 19. Conflicts of Interest and Material Personal Interest

- 19.1 Directors must take all reasonable steps to avoid actual, potential, or perceived conflicts of interest or where such a conflict arises, to manage the conflict. Directors must keep the Board updated on an ongoing basis, of any interest that could potentially conflict with the interests of HBF.

- 19.2 Directors must disclose to the Board the details of transactions which may create a conflict of interest for them in any decisions placed before the Board.
- 19.3 Directors must also disclose to the Board any matter in which they may have a material personal interest in the affairs of HBF. Where such a matter is disclosed, that director must not be present while the matter is being considered or voted upon by the Board, unless permitted by the *Corporations Act 2001 (Cth)*.
- 19.4 The Company Secretary will maintain a register of standing declarations of interest notified by directors and report them to the Board at each Board meeting.

## 20. Access to Management and Others

- 20.1 The Board has free and unfettered access to the CEO, Chief Risk Officer, the executive management team, external auditor, internal auditor, appointed actuary, Chief Legal Counsel, and any other relevant internal and external party and information and may make any enquiries to fulfill the responsibilities of the Board.
- 20.2 The Chief Risk Officer, appointed actuary, external auditor, and internal auditor have unfettered access to the Board.
- 20.3 The Board is entitled to investigate and instruct management to investigate any activity relating to an area of responsibility outlined in this Charter.
- 20.4 Directors may rely on information, professional or expert advice given, prepared or relied upon by an individual in accordance with section 189 of the *Corporations Act 2001 (Cth)*.

## 21. Independent Professional Advice

- 21.1 The Board collectively, and each director individually, has the right to seek independent professional advice, subject to the approval of the Board Chair (or in the Board Chair's absence, the Deputy Chair), at HBF's expense, in respect of any matter related to the discharge of their responsibilities.
- 21.2 Advice received should be distributed to the whole Board as appropriate, unless this would result in unreasonable prejudice to the director seeking the advice.
- 21.3 Directors are entitled to rely on the expertise of independent experts, so long as they are not aware of any grounds that would make such reliance inappropriate.

## 22. Review of Charter

- 22.1 This Charter will be reviewed by the Board every two years, or sooner if circumstances require, to ensure it remains consistent with legal and regulatory requirements and the evolving needs of HBF and its stakeholders.

# Attachment 1 | Responsibilities & Reserved Powers

## Leadership and Culture

1. Promoting the desired organisational culture and overseeing management's actions to instil or reinforce the desired organisational culture.
2. Approving HBF's Vision, Values, Purpose, and Code of Conduct.

## Strategy

3. Providing strategic guidance and approving HBF's Group business plan, strategic plan and performance objectives.
4. Overseeing management's implementation and achievement of HBF's business plan, strategic plan and performance objectives.
5. Approving the acquisition or divestment of a material business or entity.
6. Approving and overseeing HBF's environmental, social and governance strategy.

## Governance

7. Overseeing and monitoring the effectiveness of HBF's governance framework and practices.
8. Monitoring the exercise of delegated authority to the CEO and management under the Delegated Authority Policy.
9. Approving the Fit and Proper Policy in accordance with APRA Prudential Standard CPS 520 – Fit and Proper.
10. Approving policies and standards that require, or are reserved, for Board approval under HBF's Policy Framework.
11. Reviewing the Board, Board committee and individual director annual performance assessment outcomes.

## Finance, Capital, and Product

12. Approving HBF's annual operating and capital expenditure budgets.
13. Approving the annual report, including the financial statements of the HBF Group and the accounting policies on which they are based.
14. Overseeing HBF's financial performance and position and ensuring that HBF is financially sound and meets its prudential obligations.
15. Approving the Internal Capital Adequacy Assessment Process (ICAAP) initially and when significant changes are made, the ICAAP report, and the Liquidity Management Plan.
16. Approving the private health insurance annual premium round submission.
17. Overseeing health insurance product performance and pricing.

## Audit and Assurance

18. Approving the appointment, rotation, and should it be necessary, the removal, of the external auditor.
19. Satisfying itself that the auditor, who undertakes work for HBF in relation to the Prudential Acts, prudential standards, or reporting standards, is independent of HBF, and that there is no conflict of interest situation that could compromise, or be seen to compromise, the independence of the auditor.
20. Receiving recommendations from the Audit Committee on matters concerning the external auditor.

## Actuarial

21. Approving the appointment, and should it be necessary, the removal of the appointed actuary.
22. Approving the Actuarial Advice Framework that enables the Appointed Actuary to perform the functions of the role and that complies with the applicable prudential requirements.
23. Receiving advice and report from the Appointed Actuary from time-to-time including in relation to the Actuarial Advice Framework.

## Risk Management and Compliance

24. Forming a view of the risk culture of HBF, and the extent to which that culture supports the ability of HBF to operate consistently within its risk appetite, identify any desirable changes to the risk culture and ensures HBF takes steps to address those changes, including considering recommendations from the Risk Committee in relation to risk culture.
25. Approving the RAS, the RMF and Risk Management Strategy as required by APRA Prudential Standard CPS 220 - Risk Management.
26. Approving the annual risk management declaration as required by APRA Prudential Standard CPS 220 - Risk Management.
27. Approving the annual PHI Code of Conduct Self-Certification.
28. Approving the annual Modern Slavery Statement.
29. Seeking to ensure that HBF has an appropriate set of policies and procedures for the authorisation of information to be submitted to APRA.
30. Approving any other policies, procedures, frameworks, and standards required by law or regulation, including APRA's Prudential Standards.
31. Overseeing the management of material strategic, operational, and emerging risks.

## Recovery and Exit Plans

32. Approving, reviewing, and overseeing HBF's Recovery and Exit Plan.
33. Overseeing the regular review and testing of HBF's Recovery and Exit Plan.

## Information Security

34. Overseeing that HBF maintains information security in a manner commensurate with the size and extent of threats to its information assets, and which enables the continued sound operation of the entity.
35. Overseeing the implementation and adequacy of controls to protect HBF's information assets.
36. Overseeing that the information security-related roles and responsibilities of the Board, among others, are clearly defined.

## Material Contracts and Litigation

37. Approving HBF's Outsourcing Policy and material outsourced contracts in accordance with APRA Prudential Standard HPS 231 - Outsourcing and other material contracts in accordance with the Delegated Authority Policy.
38. Overseeing the management of material contracts (including material outsourced contracts) to ensure that they are consistent with the HBF's risk appetite, and that appropriate due diligence has been undertaken prior to their execution.
39. Overseeing the adequacy and effectiveness of processes and controls in place to monitor and manage the risks associated with material outsourced contracts throughout their lifecycle.
40. Approving and monitoring the initiation and settlement of significant litigation involving HBF.

## People

41. Approving the appointment of the CEO and ensuring that the Board, executive management, and senior management collectively have the full range of skills necessary for the effective oversight and prudent management of the organisation.
42. Overseeing HBF's compliance with applicable legal and regulatory requirements associated with workplace health and safety.
43. Approving HBF's Diversity, Equity, and Inclusion Policy, including setting measurable objectives for diversity, equity, and inclusion.
44. Approving the ongoing fitness and propriety of non-executive directors, Company Secretaries, and the CEO, in accordance with HBF's Fit and Proper Policy.

## Remuneration Framework and Policy

45. The Board will consider recommendations from the People, Culture and Remuneration Committee on the Remuneration Policy and related matters.
46. Approving HBF's Remuneration Framework (including the Remuneration Policy and Variable Plan Rules).
47. Ensuring that HBF's Remuneration Policy is part of, and consistent with, HBF's Risk Management Framework and does not incentivise behaviour that may lead to inappropriate or excessive risk-taking.
48. Approving the establishment of any new variable remuneration plans.

## Remuneration Arrangements and Outcomes

49. Approving the performance objectives for the CEO.
50. Approving the remuneration arrangements, including performance-based incentive payments, deferred variable remuneration payments, other rewards and benefits, termination payments, malus and clawback as required for the CEO and other employees in accordance with the Remuneration Policy, APRA's Prudential Standards CPS 511 – Remuneration, and any relevant legislation.

## Non-Executive Director Fees

51. Recommend changes or increases to the total director fee pool for approval at a General Meeting of HBF's Councillors.
52. Approving the fees for the Board Chair and other non-executive directors, but not exceeding in the aggregate the total director fee pool approved by a General Meeting of HBF's Councillors.

## Subsidiary Board

53. Recommending the appointment or renewal of directors and the overall composition of subsidiary boards to the respective subsidiary.
54. Approving the individual fees payable and the fee framework for non-executive directors appointed to subsidiary boards.

## Councillors

55. Where required by HBF's Constitution, approving, by special resolution, the appointment of Elected Councillors and General Councillors.
56. Subject to the requirements of HBF's Constitution, approving the expulsion of an Elected Councillor or General Councillor (should it be necessary).

## Regulator Engagement

57. Overseeing and approving any breach notification by HBF to any regulator.
58. Monitoring HBF's engagement with APRA and other key regulators and stakeholders.
59. All directors must be available to meet with APRA and any other regulator (including ASIC, Australian Competition and Consumer Commission, Department of Health and Aged Care, and the Office of the Australian Information Commissioner), on request.