

HBF HEALTH LIMITED

BOARD CHARTER

1. Introduction

1.1. Company Overview

HBF Health Limited (**HBF**) is a not-for-profit entity that exists primarily to enable its beneficiaries – health insurance policyholders and their insured family members – to access quality healthcare that is affordable and competitively priced; helping them to live healthier and happier lives.

1.2. Purpose

The purpose of the Board Charter (**Charter**) is to document how HBF and its related bodies corporate (**HBF Group**) are governed. It describes the roles and responsibilities of the HBF Group Board and Chief Executive Officer (**CEO**), in addition to documenting the role of the Chairman, Directors, and Company Secretary.

The Charter establishes the standing Board sub-committees and outlines various other aspects of governance relating to Board composition, conduct of meetings, conflicts of interest, Board performance, ethical standards and director independence.

This Charter is supported by various sub-committee charters and other Board approved company policies.

1.3. Review

This Charter will be reviewed by the Board on an annual basis, or sooner if circumstances require. The review will consider whether the Charter remains fit for purpose, aligns with organisational governance frameworks and objectives, and to ensure continued compliance with relevant regulatory or legislative requirements. The charter can be amended by resolution of the Board.

1.4. Authority

This Charter has been established pursuant to and in accordance with the Constitution of HBF Health Limited (**Constitution**) and other relevant legislation.

2. Roles and Responsibilities of the Board

2.1. Overview

While being ultimately responsible for overseeing the HBF Group, including ensuring HBF continues to be managed in a sound and prudent manner, the role of the Board is to provide leadership and strategic guidance to Management of the HBF Group, in addition to overseeing the implementation of strategic initiatives. Through the CEO,

the Board will provide Management with regular feedback regarding the appropriateness of reporting it receives and level of detail contained within such reports.

The Board is directly accountable to HBF Councillors (**Members**) and other relevant stakeholders and beneficiaries - for the performance of the HBF Group's businesses.

In performing its role, the Board aspires to maintain governance standards in line with industry best practice.

2.2. Key responsibilities of the Board

Without limiting the exercise of any powers of the Board pursuant to the Constitution, the key responsibilities of the Board, which it may discharge directly or through delegation to relevant Board Committees or otherwise, include:

2.2.1. Strategy

- Approve the strategic direction of HBF and HBF Group, documenting within the business plan significant corporate strategic initiatives, overall strategy, relevant operating plans, and associated capital and operating budgets
- Regularly test and monitor the strategy of the HBF Group over time, including its implementation, ensuring it delivers the most appropriate outcome for Members
- Approve all major new products, businesses and subsidiaries not otherwise contemplated by annual operating plans
- Guide the development of an appropriate culture and associated values of the HBF Group
- Consider the social, ethical and environmental impact of HBF Group activities, and set and monitor compliance with HBF's sustainability policies and practices.

2.2.2. Financial

- Oversee the implementation of the HBF Group accounting and reporting systems
- Approve HBF's annual budget, operational and capital expenditure and allocations, targets and financial statements, and monitor performance against forecast and prior periods
- Maintain an ongoing dialogue with HBF's Appointed Auditors and Appointed Actuary which allows matters to be raised directly with the Board and, where appropriate, principal regulators, to provide reasonable assurance of compliance with applicable regulatory requirements
- Following consideration of relevant information and recommendations from the Management Investment Committee, approve and maintain HBF's investment management portfolio
- Approve the capital management plan
- In accordance with the Constitution, issue, monitor application of, and regularly review all delegations of authority, both financial and non-financial
- Following consideration of the relevant recommendation from the Audit Committee, appoint or remove the External Auditor, ensuring independence is maintained

- Following consideration of the relevant recommendation from the Audit Committee, appoint, reappoint or replace the Appointed Actuary, including the approval of a temporary Appointed Actuary
- Upon recommendation from the Audit Committee, approve the Actuarial Advice Framework as amended from time to time.

2.2.3. Risk Management

- Establish and regularly review and monitor the HBF Group Risk Management Framework, including the related control environment
- Set the risk appetite for the HBF Group within which Management operates
- Assess and determine from time to time whether to accept risk assessed as falling beyond the documented risk tolerances
- Establish and regularly review and monitor the HBF Group Compliance Framework, including the related control environment
- Following consideration of the relevant recommendation from the Risk Committee, appoint, or replace the Chief Risk Officer
- Establish and monitor relevant governance related policies such as the Code of Conduct, Conflict of Interest, and any others as identified from time to time
- Establish, shape, guide and monitor the risk culture of HBF to ensure it underpins the achievement of business strategies, decisions that are lawful, ethical and responsible, and lead to better stakeholder and risk outcomes.

2.2.4. Information Security

- Establish and maintain the Information Security Framework to ensure it remains adequate to safeguard digital and other information assets held by HBF, ensuring privacy of sensitive member information is maintained, and allow for the continued sound operation of the HBF Group
- Ensure the Information Security Framework details the roles and responsibilities of the Board, Senior Management and individuals with responsibility for decision making, approval, oversight, operations and any other related information security functions.
- Monitor performance of the Information Security Framework through regular reporting of:
 - Activities related to assessing the security capability of the Framework, including assessing any third-party providers engaged to provide such security services, and
 - Tests conducted to assess the effectiveness of the Information Security Framework and control environment
- Ensure the HBF Group's information and cyber security capability is adequate to safeguard against and respond to the future vulnerabilities and threats particularly related to implementation of related strategic initiatives.

2.2.5. Remuneration

- Consider recommendations from the Nomination and Remuneration Committee and approve the remuneration framework of the HBF Group, including the

Remuneration Policy and/or related documents, and incentive-based schemes – ensuring such schemes contain measurable targets and assessments, including alignment with Member interests, against which the Board, in its absolute discretion, can approve.

- Ensure remuneration arrangements in place for the CEO and applicable employees, promote behaviours aligned to the Risk Management Framework, and are designed to support the long-term financial soundness of the HBF Group.
- Consider advice from the Nomination and Remuneration Committee and make recommendations to the HBF Council on the Non-Executive Director fee pool – taking into consideration relevant factors.
- While taking into consideration recommendations received from the Nomination and Remuneration Committee or subject matter experts, approve the contractual and remuneration arrangements of the CEO and all relevant officers in respect of, incentive measures and targets, assessments against incentive measures and targets, all fixed remuneration, incentive and termination payments.

2.2.6. Recruitment

- Approve the processes and procedures for the effective and active management of the HBF Group Board composition
- In conjunction with the Nominations & Remuneration Committee seek to strengthen the composition and diversity of the Board and its Board Committees on an ongoing basis.
- Appoint and terminate the CEO, negotiate and establish terms and conditions of appointment, set objectives, evaluate performance and determine remuneration.
- Set and review the succession plans for the CEO
- Appoint and terminate the Company Secretary, of whom there must be at least one
- Appoint and terminate any other officer and issue any powers or responsibilities to such a role as required.

3. Appointment, Role and Responsibilities of the Board Chair

3.1. Appointment

In accordance with the Constitution, the Board may appoint one of its members to be the Chairman.

The Chair of HBF must be an independent Non-Executive Director and cannot have been the CEO of HBF at any time during the previous three years.

3.2. Role and Responsibilities

Specifically, and without limitation, the Chair is responsible for:

- Being HBF's representative who will communicate the Board's collective position to Members, major beneficiaries and other stakeholders as required

- Leading the Board in relation to all corporate governance issues and providing support and guidance for individual Directors and the CEO, mentoring as required
- Creating an environment within Board meetings enabling all Directors to provide input on matters under consideration
- Conducting meetings in an efficient and effective manner ensuring the Board maintains in-depth knowledge and understanding of the overall financial and operational health of the HBF Group and the potential impact of proposals on its continued success and longevity and prudent, sound delivery of the overall strategic plan
- Developing and maintaining a constructive relationship between the Board and CEO to enable regular, open two-way discussions in relation to the management and strategic direction of the HBF Group, and to allow the notification of significant issues facing the HBF Group
- Actively managing conflicts of interest declared by Directors of the Board generally, and as they might arise when considering specific Board agenda items
- Monitoring the overall performance of the Board and Directors, facilitating director discussions in relation to individual Director performance, and providing feedback to the Board on opportunities for improvement following conclusion of annual board performance assessments
- Comprehensively responding to concerns raised by Directors as they arise
- Being available to meet with regulators, including APRA, as requested
- Approving out of pocket expenses incurred by Non-Executive Directors
- Serving as Chair of the Nomination and Remuneration Committee.

4. Appointment, Role and Responsibilities of Directors

4.1. Appointment Conditions

An individual who has been a member, director or employee acting as a lead or review auditor, of a firm providing external audit services to the HBF Group cannot be appointed as a Director of HBF until at least two years have passed since they have served in such professional capacity.

4.2. Role and Responsibilities

Specifically, and without limitation, Directors are responsible for:

- Preparing for and making effective and appropriate contributions to matters under consideration by the Board, so it may effectively discharge its fiduciary other responsibilities
- Complying with the duties imposed on directors by the Corporations Act 2001 (Cth) and relevant regulators
- Observing the highest standards of ethical behaviour, personal integrity and communicate in an honest manner in all dealings with the Board and Management

- Remaining active in Board meetings, requesting information, raising and canvassing all aspects of issues under consideration, and exercising their voting rights according to their best judgement.
- Understanding the business risks facing the HBF Group, and the operation of the Risk Management Frameworks and processes employed to mitigate and manage these risks
- Disclosing to the Board, Chair and Secretary any conflicts of interest, and related party transactions, while maintaining independence.
- Maintaining confidentiality of all Board discussions, deliberations, and any other non-public information
- Maintaining professional development equivalent to that required annually by the Australian Institute of Company Directors.
- Serving on Board Committees or other governance forums with the HBF Group when requested
- Leading by example to promote the HBF vision, values and purpose, engendering respect, and promoting a sense of leadership and teamwork
- Being available to meet with regulators, including APRA, as requested
- Complying with HBF's governance framework and related policies, and the principles set out in the Membership Code of Conduct as published by the Australian Institute of Company Directors from time to time
- Bringing an independent judgement to bear on Board decisions at all times.

5. Role and Responsibilities of the Chief Executive Officer

The CEO is accountable for the development of strategic business objectives, appropriately aligned to the strategic direction approved by the Board, and for recommending such objectives to the Board for consideration.

In discharging the role, the CEO will not cause or allow to occur any practice, activity, or decision that is either unlawful, imprudent or in violation of commonly accepted business or professional ethics, or which changes the strategic direction or threatens the competitive strength of the organisation.

Subject to paragraph 4.2, the Board delegates to the CEO the authority to manage the day to day operations of the HBF Group, and in doing so, without limitation, the CEO is responsible for:

- Keeping the Board informed of matters as reasonably considered necessary or appropriate to enable them to make assessments and judgements, to conduct enquiries, and to gain assurance the decisions and actions of the CEO and Management, and the performance of the HBF Group, are directed towards the achievement of approved strategic objectives
- Delivery and achievement of the strategic business plan, and associated objectives, as approved by the Board
- Establishing and promoting, within the HBF Group, a constructive, open and risk-aware culture – appropriately aligned with the achievement of approved strategic objectives

- Leading by example to promote the HBF vision, values and purpose, engendering respect, and promoting a sense of leadership and teamwork
- Implementing the Risk Management Framework and associated system of internal controls designed to identify and manage risks material to the achievement of approved strategic objectives
- Implementing plans and processes designed to provide for the development and succession of senior management and appropriate opportunities for the development of staff
- Maintaining policies, information systems and procedures suitable to provide Members, beneficiaries and relevant stakeholders with timely and accurate information through appropriate channels and in compliance with regulatory requirements
- Monitoring compliance with any delegated authority issued by the Board to the CEO, whether such authority is delegated to HBF employees or otherwise
- Ensuring all senior managers with responsibilities relating to the HBF Group are Australian residents
- Ensuring individuals who have been a member, director or employee acting as a lead or review auditor, of a firm providing external audit services to the HBF Group are not appointed to a senior manager position until at least two years have passed since they have served in such professional capacity
- Remaining available, and ensuring other HBF Group Senior Managers remain available, to meet with regulators, including APRA, as requested.

6. Role and Responsibilities of the Company Secretary

The Company Secretary is directly accountable to the Board through the Chair, for all matters relating to the proper function of the Board.

Specifically, and without limitation, the Company Secretary is responsible for:

- Co-ordinating, in consultation with the Chair, all relevant Board business – preparing appropriate agendas, papers, and notices of meetings, and attending and taking minutes at all Board and Board Committee meetings
- Maintaining all relevant registers, including keeping a central repository of Directors' standing notice of interests and others in line with legal requirements
- Making all necessary company secretarial filings in an effective and timely manner
- Providing counsel to Directors on corporate governance principles, relevant disclosure and other risks issues, while acting as a trusted advisor, maintaining confidences as appropriate
- Collaborating with the Board Chair to ensure the effective and transparent operation of the Board and encourage timely implementation of Board decisions
- Liaising with the Board Chair and relevant management functions of the HBF Group to facilitate an appropriately comprehensive induction program for new Directors
- Being available to meet with all Directors as required.

7. Membership

7.1. Size and Composition of the Board

Membership of the HBF Board is as follows;

- a minimum of six and maximum of nine Directors,
- who are ordinarily resident within Australia,
- the majority of whom are Non-Executive Directors and,
- the majority of whom meet the independence requirements contained within this Charter and the Constitution.

7.2. Board Renewal Policy

The Board maintains a stand-alone Board Renewal Policy detailing board renewal and tenure, collective skills and assessment, director candidate searches, director selection, board performance assessment, director education, and removal of directors.

7.3. Invitees

The Board may request or invite Management or external consultants to attend Board meetings, where appropriate, on a permanent basis, or otherwise.

8. Delegating Authority

8.1. Board Committees

The Constitution provides authority for the Board to establish from time to time, by ordinary resolution, a sub-committee of the Board.

Without limiting the exercise of powers, or responsibilities, by the Board, or the creation of future sub-committees, the Board has established the following:

- Audit Committee
- Risk Committee
- Nomination & Remuneration Committee
- Transformation Committee.

Through the sub-committee charter, the Board delegates relevant powers, functions and responsibilities required to fulfil their purpose.

The sub-committee charter is formulated to address material standards and requirements of relevant regulatory bodies and establishes reporting requirements to ensure the Board retains visibility of the sub-committee activities and functions.

Membership and composition of sub-committees are determined by the Board having regard to workload, skills and experience and any regulatory requirements.

8.2. Authority to Delegate to the Chief Executive Officer

In accordance with the Constitution, the Board may delegate to the CEO, on terms and conditions or restrictions it deems fit, any powers exercisable by it. Without limiting the exercise of the powers or responsibilities of the Board, the Board has approved an Employee Delegations of Authority containing both financial and non-financial delegations issued to the CEO.

To effectively manage the day to day operations of the HBF Group, the CEO is authorised by the Board to sub-delegate authority to employees of HBF, so long as the delegation does not exceed that issued by the Board to the CEO themselves and the CEO remains accountable for the matters so delegated.

9. Independence

9.1. Factors relevant to determining independence

The Board has adopted a definition of independence setting out the interests and relationships to be considered when assessing the independence of each Director. An independent Director for relevant purposes is a Director who:

- Is not a member of Management within the HBF Group (non-executive)
- In the case of a subsidiary, is not a substantial shareholder in that entity, or an officer of, or otherwise associated directly with, a substantial shareholder in that entity (applicable to subsidiaries that are Pty Ltd companies).
- Has not, within the last 3 years, been employed in an executive capacity with the HBF Group or been a Director after ceasing to hold any such employment.
- Has not, within the last 3 years, been a principal of a material professional adviser or a material consultant to a group entity, or an employee materially associated with the service provided
- Is not a material supplier or customer of a group entity, or an officer of, or otherwise associated directly with, a material supplier or customer
- Has no material contractual relationship with an HBF Group entity, other than as a Director of one or more HBF Group entities
- Has not served on the Board for a period of more than ten years, or a lesser period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the group entity
- Is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the group entity. Family ties and cross Directorships may be relevant in considering interests and relationships which may compromise independence and should be disclosed by Directors on that basis.

9.2. Ongoing review of Independence

The Board assesses independence of Directors upon appointment and annually through an attestation by each Director. Remaining independent contributes to minimising conflicts of interest for the individual concerned.

9.3. Seeking Independent Advice

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair, or, in the Chair's absence, the Board. Approval will not be unreasonably withheld. Advice sought should be distributed to the whole Board as appropriate, either directly from the Director seeking the advice, or through the Company Secretary.

9.4. Conflicts of Interest

Directors are expected to avoid any action, position or interest that conflicts with an interest of the HBF Group or gives the appearance of a conflict. Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the HBF Group that cannot be avoided, by making a declaration to the Board, Chair or Company Secretary.

On occasion, a material personal interest or conflict may arise in relation to an agenda item under consideration by the Board or a Committee. If this situation occurs, the relevant Director(s) must immediately declare the existence of the conflict.

Directors must not participate in discussions, and must abstain from voting on any decisions, in which they have, or may be perceived to have, a material personal interest.

The Company Secretary will maintain a register of standing declarations of interest notified by Directors and regularly report them to the Board. Ad-hoc conflicts will be noted in the minutes of the meeting in which the conflict was declared.

9.5. Access to Management

Directors have unfettered access to the CEO and members of Executive Management.

10. Meeting Procedure

10.1. Conduct

All Board meetings will be convened and conducted in accordance with the Constitution and the *Corporations Act 2001 (Cth)*.

10.2. Agenda, Papers and Minutes

Each Board meeting is to have a structured agenda and, where appropriate, Board decisions are to be informed by a Board paper to ensure that sufficient information is provided to support discussion and decision making.

The agenda and supporting papers are to be distributed to directors a reasonable time in advance of each meeting.

Minutes of each Board and Committee meeting will be prepared by the Company Secretary, recording the business of the meeting.

10.3. In-Camera Sessions

An in-camera session will form part of each Board meeting agenda to enable discussion without Management present, or executive directors as notified.

10.4. Use of technology

The Board may conduct meetings by telephone or video conference as required.

11. Policy Maintenance Data Table

Policy Title	HBF Board Charter		
Policy #	TBA	Access:	All
Division	Company Secretariat	Originated:	November 2017
Policy Owner	Company Secretary	Approved:	28 May 2019 Board Resolution Number BRD.22.2019
Policy Approver	HBF Board	Next Review:	28 May 2020
Related Policies		Appointed Actuary Framework Board Renewal Policy Fit & Proper Policy Group Compliance Framework Information Security Framework Remuneration Policy Risk Management Framework	