

Board Governance Policy

1. Purpose

The Reserve Bank Health Society Limited (the RBHS) provides health insurance benefits for current and former employees of the Reserve Bank of Australia and Note Printing Australia, their dependants, ex-dependants, and ex-partner or ex-spouse.

This *Governance Policy* outlines the corporate governance arrangements that the RBHS has in place to ensure that it is directed and managed effectively and appropriately for the benefit of the members. The *Governance Policy* should be read in conjunction with the RBHS Constitution and Rules and other Board governance policies.

2. The Board

Under the Constitution¹, the Board consists of seven (7) elected directors and up to 2 appointed directors. It is the Board's policy that all directors should be non-executive directors with the appropriate diversity and specialist skills for the size and complexity of the company and the private health insurance industry. A majority of directors must be independent and reside in Australia.

All current directors and candidates for director positions must also meet the fit and proper requirements in the Board's *Fit and Proper Policy*, and in accordance with APRA Prudential Standard CPS520 *Fit and Proper*.

The *Corporations Act 2001*, the RBHS Constitution, and applicable APRA Prudential Standards make the Board responsible for oversight of the sound and prudent management of the RBHS. The principal **functions** of the Board include:

- Setting the overall strategic objectives of the RBHS.
- Determining and regularly reviewing the policies and practices governing its management and operations, including, but not limited to:
 - This Governance Policy;
 - Board Renewal Policy;
 - Remuneration Policy;
 - Delegations Policy;
 - Investment Policy;
 - Outsourcing Policy;
 - Capital Management Policy;

¹ RBHS Constitution Clause 4.1

- Liquidity Management Policy;
 - Risk Management Strategy;
 - Business Continuity Management Policy;
 - Recovery Plan;
 - Pricing and Product Development Policy;
 - Privacy Policy; and
 - Fraud, Anti Bribery and Corruption Policy.
-
- Approval of strategic and business plans, and overseeing their implementation.
 - Ensuring that the company complies with all relevant legislation.
 - Regularly reviewing the progress and performance of the RBHS, including financial position, financial and non-financial performance, and approval of capital expenditure and budgets.
 - Appointment and regular performance reviews of the Chief Executive Officer in conjunction with the Chair of the outsourced service provider.
 - Appointment of the Chair and Deputy Chair of the Board, and Board Committees to assist in the discharge of the Board's duties and responsibilities.
 - Ensuring the significant risks faced by the company have been identified and appropriate control, monitoring and reporting mechanisms are in place to ensure these risks are well managed in accordance with the APRA *CPS220 Risk Management Standard* and considering the principles in AS/NZS ISO 31000:2018.
 - Ensuring that the Governance processes for the company are in accordance with APRA Prudential Standards *CPS510 Governance*, and *CPS520 Fit & Proper*, and that each director and senior manager is available to meet with APRA on request.
 - Annually assessing the performance of the Appointed Actuary as required under *CPS320 Actuarial and Related Matters*, and to assess the fitness and propriety of the Appointed Actuary under the requirements of *CPS520 Fit and Proper*.
 - On recommendation from the Board's Audit Committee, annually assessing the performance and independence of the Appointed Auditor and Internal Auditor as required under *CPS510 Governance* and assess their fitness and propriety under the requirements of *CPS520 Fit and Proper*.
 - Monitoring the effectiveness of the Board and each Director, ensuring the Board is composed of an appropriate set of skilled and qualified directors.

Changes to the composition of the Board will be advised to APRA in accordance with APRA standards;

- Ensure that the company, its Directors and Officers are ethical in their behaviour through the establishment, review and monitoring of codes of conduct, and company Standards of Ethical Behaviour.
- Annually review the performance under the services agreements between RBHS and outsourced service providers (OSP).
- Review requests for contract fee increases by the OSP.
- Review requests for changes to Service Performance Levels by the OSP.
- Review the OSP contract prior to termination or renewal.
- Provide the Appointed Actuary and Auditor of RBHS the opportunity to raise matters directly with the Board.

2.1 Appointment of Directors

a. Appointed Director Positions²

The Constitution provides that the Board may appoint up to two (2) director positions as Board Appointed Directors at any time except during a general meeting of members. The appointed director holds office for the term specified by the Board, but not exceeding three (3) years.

b. Elected Director Positions³

Elected Directors are elected by a ballot of members at the AGM in accordance with the Constitution. Where a vacancy occurs between elections, the Constitution allows the Board to appoint a replacement director to fill this casual vacancy, but such a director holds office only until the next AGM of the RBHS.

2.2 Rotation of Directors⁴

Under the RBHS Constitution, elected director positions are elected for a term of three years, and automatically retire after that term. Retiring directors are eligible for re-election provided they

² RBHS Constitution Clause 4.9

³ RBHS Constitution Clauses 4.2 to 4.6

⁴ RBHS Constitution Clauses 4.7, 4.8, 4.10

meet eligibility and Fit and Proper requirements. The maximum tenure for directors is 12 years. RBHS Constitution clauses 4.10 and 4.11 specify situations in which a director may be removed from office or must retire.

2.3 Board Skills, Knowledge and Experience

The RBHS Board will need to possess the necessary competence, skills, knowledge, experience and soundness of judgement to carry out its responsibilities under the *Corporations Act 2001*, the *Private Health Insurance Act 2007* and other relevant legislation. This will include an understanding of:

- The *Corporations Act 2001*, including the duties of a director.
- The business and operations of the RBHS.
- The relevant sections of the *Private Health Insurance Act (2007)*.
- All applicable APRA prudential requirements, including prudential standards covering Solvency and Capital Adequacy, Governance, Fit and Proper, Risk Management, and other requirements.
- The structure, performance of, and issues facing the private health insurance industry.
- Basic investment principles to allow the setting of investment policy.
- Risk management and finance aspects as they relate to a Private Health Insurer.
- Contemporary corporate governance principles.

Each director need not have all the competencies listed above, but the Board collectively should possess those competencies, and other required skills identified in the Board Skills Matrix, from the Board evaluation, and those that may be required by APRA.

Each director must also meet the fitness and propriety requirements under the *Fit and Proper Policy*.

All new directors will be provided with induction to develop an adequate level of knowledge in these areas. The RBHS will assist all directors with access to ongoing training, participation in industry forums, and industry information that is relevant to their role as a Director of the RBHS.

2.4 Diversity

The Board recognises the value that diversity adds to governance and will actively pursue a diverse board. In addition to gender, the RBHS Board will strive for an appropriate balance of skills, experience, independence, knowledge, age, cultural backgrounds and work styles to best reflect the member base.

The Board is focused on increasing Board diversity without compromising the calibre of directors and maintains that appointments to the Board will be based on merit as well as expanding and complementing the skills, knowledge and experience of the Board as a whole.

2.5 Board Renewal

The RBHS has a *Board Renewal Policy* that recognises the importance of ensuring that the Board remains open to new ideas and independent thinking, and at the same time retains experience that ensures a degree of continuity.

The Chairperson, in consultation with the Board, will assess the Board's performance, qualifications, skills, knowledge and experience at least annually, together with tenure of existing directors and actual or foreshadowed changes in Board membership.

This assessment will include a Board performance evaluation, with the results reported to the Board as a whole, and an assessment of individual director performance.

3. Individual Directors

Individual directors have significant obligations under the *Corporations Act 2001*. Directors also have a duty to question, request information, canvass issues confronting the RBHS and cast their vote on resolutions as they see fit, consistent with their legislative and Constitutional obligations. Director responsibilities are detailed in the *Director Position Description*.

In order to ensure that the RBHS is governed by honest and trustworthy individuals, directors, executives and other responsible persons must meet the fitness and propriety requirements included in the *Fit and Proper Policy*. In addition, Directors and appointed executives of the RBHS are required to observe the Standards of Ethical Behaviour that form part of this *Governance Policy*. These require directors and executives to observe the highest possible standards of ethical conduct.

New directors will receive a letter of appointment that sets out the requirements of directors, including the need to comply with RBHS governance policies and APRA Prudential Standards. Other key documents to assist new directors will be provided as part of their Induction Pack.

New directors will also be invited to visit the RBHS operations and meet with executives to gain a better understanding of business operations and current issues.

Directors, both new and continuing, will be expected to attend appropriate courses or seminars as determined and agreed by the Chair of the Board, including courses offered by the Australian Institute of Company Directors, to ensure they understand their responsibilities as directors.

3.1 Director Remuneration

The remuneration (and reimbursement of expenses) of directors and associate directors is determined by the Board and in accordance with the *Remuneration Policy* and the *Constitution*⁵, with the aggregate sum of director remuneration approved by members at the AGM.

3.2 Access to Board Papers and Professional Advice

The Secretary holds, for a period of at least seven years, a complete set of Board papers and minutes for each meeting. Directors are entitled to access the papers relating to the period they were a director, even if they have ceased to be directors.

With the approval of the Chairperson, a director might obtain professional advice (including, but not limited to legal, accounting or actuarial) on matters relating to the affairs of the RBHS at the RBHS expense.

3.3 Insurance⁶

The Secretary will ensure that a Directors and Officers' (D&O) insurance policy is current at all times and will provide each director with a copy of the policy and any changes to it. The RBHS will maintain each director's D&O insurance for seven years from the date at which they ceased to be a director.

4. The Chairperson

Under the *Constitution*⁷, the Board of directors will elect the Chairperson (and deputy Chairperson) at the first board meeting after each AGM of the RBHS.

⁵ RBHS Constitution Clause 11

⁶ RBHS Constitution Clause 12

⁷ RBHS Constitution Clause 13.4

The Chairperson must be an independent non-executive director, whose responsibilities are detailed in the *Chairperson Position Description*.

In accordance with the Constitution, the Chairperson may be removed from office by a resolution of the Board.

5. Board Meetings

The Board will meet a minimum of four (4) meetings per year, with the following year's Board Annual Calendar agreed by the Board at the December board meeting annually. A Board meeting can be convened under the RBHS Constitution when any two directors or the Chairperson so requests. In such situations, a minimum of seven days' notice must be given unless it is an emergency meeting. While it is anticipated that these will be physical meetings of the Board, it is recognised that meetings may be convened electronically.

5.1 Board Annual Calendar

The Board maintains a calendar of major tasks and events, including scheduled Board and committee meetings, as well as major Board activities to be carried out in each month.

5.2 Quorum

The RBHS Constitution⁸ states that unless the Board decides otherwise, the quorum for a Board meeting is the greater of three (3) Directors, or one half of the total number of Directors for the time being in office (rounded upwards if not a whole number).

In order for a decision of the Board to be valid, a quorum of directors must be present for the whole meeting.

5.3 Decision-Making

In the normal course, decisions of the Board will be made by simple majority at each Board meeting. All decisions will be recorded in the minutes. Directors are encouraged to exercise independent thinking and judgement in discharging their responsibilities. Under the Constitution of the Company, the Chairperson can exercise a casting vote; if this casting vote is not exercised and the votes remain equal, the resolution is not carried.

⁸ RBHS Constitution Clause 13.5

5.4 Emergency Decision-Making: Circulating Resolutions

Any urgent decision that cannot wait until the next Board meeting can be dealt with by a circulating resolution. All directors, approving the action, must sign the circulating resolution or send an email expressing their consent.

A facsimile or electronic message containing the text of the document expressed to have been approved by a director that is sent to the RBHS is taken to be a document signed by that director at the time of its receipt by the RBHS.

The collated copies of such resolutions shall be the record of the decision until the next Board meeting. At the Board meeting immediately following the circulating resolution, the decision made will be entered in the minute book as a single entry. Where all directors do not sign a circulating resolution, the item is deferred to the next Board meeting.

5.5 Agenda and Board Papers

An agenda will be prepared for each Board meeting. The agenda will generally follow the format approved by the Board from time to time and consider topics that are included on the Board's Annual Calendar.

The Board Agenda should include the following topics, even if there are no business items for a particular topic at a Board meeting:

- a. Agenda
- b. Attendance and conflict of interest
- c. Apologies
- d. Minutes
- e. Business arising from the minutes
- f. Committee reports and recommendations
- g. Closed session
- h. Strategy
- i. Presentations
- j. Governance
- k. Financial oversight and management
- l. Risk and compliance
- m. CEO report
- n. Board structure and performance
- o. General business.

The cover sheet for all Board papers should contain the recommended resolution.

The Board meeting processes allow for the Appointed Actuary, Appointed Auditor and Internal Auditor to meet with the Board independently of senior management as required.

The CEO is responsible for the preparation of Board papers. All Board papers must be circulated to directors by the Company Secretary to arrive a minimum of seven days before the Board meeting. Papers tabled at the Board meeting requiring consideration or decision may be accepted with the unanimous approval of the Board; it is expected that this will not be a common occurrence.

5.6 Board Minutes

Minutes will be prepared as per Section 251A of the Corporations Act 2001. The Company Secretary will ensure that minutes of a meeting are recorded within one month and signed within a reasonable time after the meeting by one of the following:

- a) The chair of the meeting.
- b) The chair of the next meeting.

5.7 Board Action Items Listing

The Company Secretary will maintain an Action Items listing that will include action items identified at any Board or Board Committee meeting, and any items on the Board Annual Calendar that are due but have not been acted on.

6. Material Personal Interest (Conflict of Interest)

In accordance with Section 191 of the *Corporations Act (2001)* Directors must advise the Board of any material personal interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, it may require the director concerned either not to be present at the meeting or not to participate in discussions whilst the item is being considered.

The attendance register of each meeting of Directors requires all present to sign a declaration regarding material personal interest for any matter being discussed or considered for decision at that meeting. Should a director, or senior executive have such a material personal interest then they may be required to leave the meeting while that matter is being discussed.

Section 195 of the *Corporations Act* requires that if the Board agree that such director or senior executive may remain at the meeting while the matter is discussed and voted on, then this must be acknowledged by a unanimous resolution (excluding any director affected by the conflict).

7. Board Evaluation and Development

As a matter of principle, the Board is committed to the ongoing development of both individual directors and the Board as a whole. The Board, through the Nominations and Remuneration Committee (NRC), will conduct an annual evaluation of its performance, usually in the second half of the year, in conjunction with the assessment of fitness and propriety of individual directors. The evaluation will cover the whole Board, Board Committees, and individual directors. The Chair of the NRC will ensure these evaluations are undertaken, and each three years may utilise the services of an external consultant to undertake this evaluation. The results of the evaluation will be used to identify any development requirements for individual directors or the Board as a whole.

The Board through the Nominations and Remuneration Committee (NRC) will also identify potential director candidates and encourage them to nominate for director positions that have or will become vacant after considering the Board Skills Matrix, and the *Board Renewal Policy* requirements.

New elected or appointed directors will be provided with an induction into their role on the Board by the Chairperson, Company Secretary and the CEO.

Directors are encouraged to indicate well in advance if they intend to resign or permanently retire from the Board to allow the NRC to approach suitable persons to nominate for Board positions.

8. Board Committees

From time to time the Board may utilise Board Committees to assist it in carrying out its responsibilities.

The role and responsibilities for each Committee are detailed in their Board approved Terms of Reference which are reviewed biennially and, as a minimum, comply with the APRA Prudential Standards covering private health insurers.

The Board has established the following Board committees that comply with APRA Governance Standards:

- Risk Committee;
- Audit Committee; and
- Nomination and Remuneration Committee.

The Chair and members of Board committees will be nominated at the first board meeting following the AGM each year. The responsibilities of the Committee Chair are included in the *Committee Chair Position Description*.

9. Risk Management and Compliance

Every officer and contractor of the RBHS is required to comply with all aspects of the law and to act ethically at all times. No person who wilfully breaches the law and is prosecuted will receive support from the RBHS.

The RBHS Board sets the risk appetite for the company, and ensures the significant risks faced by the company have been identified and appropriate control, monitoring and reporting mechanisms are in place to ensure these risks are well managed within the Board's risk appetite and in accordance with APRA Prudential Standard CPS220 *Risk Management*. Details of the risk management framework are included in the Board approved *Risk Management Strategy* and includes the *RBHS Recovery Plan*.

Reporting of ongoing risk management and compliance will be made to the Risk Committee; risk incidents (including compliance exceptions) that arise are generally reported to the Risk Committee through normal reporting cycles, with more serious items raised with the CEO and Chairperson within 24 hours.

10. Executives and Senior Management

Senior management and the Board collectively must have the knowledge, skills and experience necessary for the prudent operation of RBHS, and to deal with the challenges and risks faced.

The Board, in fulfilling its functions, may delegate authority to management to act on behalf of the Board with respect to certain matters, as decided by the Board. This delegation of authority is detailed in the *Delegations Policy*. The Board will monitor and oversee the responsibilities delegated to management through enquiry, challenge, and internal audit reviews.

The Board ensures that each senior executive is Fit and Proper, resides in Australia and is available to meet with APRA on request.

11. Standards of Ethical Behaviour

The Board, individual directors, and executive management in carrying out their duties and responsibilities must adhere to these standards of ethical behaviour. The CEO will also ensure that the principles of these behaviours flow to all persons dealing with members of the RBHS.

Standards of Ethical Behaviour – Directors and Executive Managers:

- Must act honestly, in good faith and in the best interests of the Company as a whole;

- Have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- Must use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- Must recognise that the primary responsibility is to the members of the Company as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company;
- Must not make improper use of information acquired as a Director or Executive Manager;
- Must not take improper advantage of the position of Director or Executive Manager;
- Must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- Have an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors or the Executive Managers;
- Must ensure that confidential information received while acting in that role for the company remains the property of the company, and note that it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the company, or the person from whom the information is provided, or is required by law;
- Should not engage in conduct likely to bring discredit upon the company;
- Recognising the inherent nature of regulation to the industry as a whole, be responsive and open at all times to the requirements of the regulator and Government;
- Have an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of these Standards of Ethical Behaviour;
- Ensure that no prospective, current, or former officer, employee or contractor of RBHS are constrained or impeded, whether by confidentiality clauses or other means, from:
 - disclosing information to APRA;
 - from discussing issues with APRA of relevance to the management and prudential supervision of RBHS;
 - from providing documents under their control to APRA, that may be relevant in the context of the management or prudential supervision of RBHS; and
 - ensure such persons are not to be constrained or impeded from providing information to, as applicable, auditors, the Appointed Actuary, and others who have statutory responsibilities in relation to RBHS.

12. Review

This *Governance Policy* will be reviewed biennially. To ensure this is done, the review date is included in the Board's Annual Calendar.

Chairperson, RBHS Board