

PEOPLECARE HEALTH LIMITED
ABN 95 078 648 753

CORPORATE GOVERNANCE STATEMENT

v. 4.0 March 2019

This statement outlines the Corporate Governance practices Peoplecare Health Limited ("Peoplecare") has in place to ensure that the company is directed and managed effectively and appropriately for the benefit of the members. These practices are a system of directing and controlling the affairs, policies, functions and actions of the company, while managing business risk.

The Directors govern the company on behalf of all members and have legal responsibility for oversight of the sound and prudent management of Peoplecare, and for their actions and conduct, primarily through the Corporations Act (2001), the Private Health Insurance Act (2007) and APRA Standards *CPS510 Governance*, and *CPS520 Fit & Proper*¹.

BOARD OF DIRECTORS

The Constitution of the company provides as follows:

"8.1. The Board of Directors

(a) The board must have not more than 6 directors:

(i) all of whom must be members or member affiliates;

(ii) at least 2 of whom must be elected by the members at a meeting called for that purpose; and

(iii) not more than 4 of whom may be appointed from time to time as directors by resolution of the majority of the board having regard to the specific skills and experience required by the board.

(b) Subject to Rule 8.9, the board may in its absolute discretion appoint not more than 2 persons to act as associate directors in addition to the maximum number of directors allowable under Rule 8.1(a)."

- The Constitution provides as follows for an Associate Director:

"8.9. Associate Directors

(a) The board may from time to time appoint any person, other than a person who is at that time a director, to be an associate director for a term not exceeding one year as determined by the board in its absolute discretion and may from time to time terminate any such appointment.

(b) The board may from time to time determine the powers and duties of any associate director, however no associate director has a vote

¹ Currently prudential standard HPS510, which will be replaced by CPS510 & CPS520 from 1st July 2019.

at any director's meeting and the associate director's attendance at a board meeting will not count for the purpose of determining whether or not a quorum of directors is present.

- (c) A person so appointed as associate director, except by the invitation and with the consent of the board does not have any right to attend at any board meeting however notices of board meetings may be sent to all associate directors at the same time as they are sent to the directors.*
- (d) A person who is an associate director shall immediately cease to hold such position if he or she becomes a director.*
- (e) The board may re-appoint an associate director at the expiration of their term for a further term of one year as determined by the board in its absolute discretion provided that no person may be appointed as an associate director for more than three terms."*

It is not necessary for an associate director to be a member of the health fund on assuming the position.

Although a person so appointed as an associate director has no automatic right of attendance, in normal circumstances they would be invited and be expected to attend all board meetings during their tenure and may be invited to participate in particular committee meetings. It may though be appropriate from time to time to exclude such associates from certain in-camera board discussions. Associate directors, while able through invitation to attend and contribute to Board meetings, will not have a formal vote on any matter put before the Board.

Every financial member of the company is entitled to participate in the governance of the company by being elected or appointed to the Board of Directors in accordance with the Constitution, the Board Renewal Policy, the Fit and Proper Policy, and approved nomination processes. The Board will determine candidates on the basis of requisite skills, experience, qualifications, diversity, and fit and proper guidelines as determined by the Board from time to time.

The Nomination, Development and Remuneration Committee (NDRC) is responsible for recommending to the Board the director nomination process each year and will take into consideration the need to rejuvenate the board to ensure the board has fresh thinking and fully independent directors.

The normal term of office for directors is 3 x 3 years, with a maximum twelve (12) years available to the Board in exceptional circumstances. It is considered that unless there are skills issues to be addressed it is desirable that only under significant circumstances would tenure exceed nine (9) years, at which time an annual election or appointment is required.

BOARD RESPONSIBILITIES

The Board's overall responsibilities include:

- Set the strategic direction of the company in the best interest of members after considering requirements of other key stakeholders, and monitor the performance and oversee implementation and achievement of strategic objectives through a properly defined and endorsed business plan;

- Review and approval of corporate policies and strategies;
- Monitoring the financial position and financial performance of the company including consideration and approval of budgets, and financial reports at least annually.
- Monitoring high level non-financial organisational performance and the achievement of goals and targets in areas of business development, growth, information technology, health insurance business operations, health management, and the operations of non-health and health related businesses conducted by Peoplecare.
- Appointment and assessment of the performance of the Chief Executive Officer and Executive Managers and assessing / monitoring succession plans and strategies, and ensuring appropriate resources are available to senior executives.
- 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 APRA Prudential Standard *CPS220 – Risk Management*.
- Ensuring that the company complies with all relevant legislation.
- 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.
- Appointment of the Chair of the Board, and establishment of Board Committees to assist in the discharge of the Board's duties and responsibilities;
- Monitoring the effectiveness of the Board, each Director, and Board Committees, and ensuring the Board is composed of an appropriate set of skilled and qualified directors to meet Governance Standard requirements and the business challenges faced by the company.
- Ensure that the company, its Directors and Officers are ethical in their behaviour through Fit and Proper assessments, the establishment and review / monitoring of codes of conduct, and company Standards of Ethical Behaviour.
- Approving & monitoring Capital Management Plans, and major capital acquisitions, investments or divestitures in accordance with the approved delegation's policy guidelines.
- 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*.

BOARD COMPOSITION

The Board shall determine its composition in accordance with the Constitution and recommendations from the Nomination, Development & Remuneration Committee.

- The majority of Board will comprise non-executive independent directors, within the meaning of APRA Prudential Standard CPS510 Governance (repeated below as Attachment A – Director Independence).
- The majority of the directors must ordinarily reside in Australia.
- The Board will advise members at the Annual General Meeting of any addition to or variation to the terms of appointment of any appointed director.

CHAIR OF THE BOARD

The Chair of the Board must be an independent director, elected by the Board of Directors at the first meeting of Directors each year that follows the Annual General Meeting. Members of all Board Committees shall also be selected by the Board of Directors at the first meeting of Directors each year that follows the Annual General Meeting.

The Chair of the Board cannot have been the Chief Executive Officer (CEO) of Peplecare at any time during the previous three years.

The Chair of the Board must be available to meet with APRA on request.

BOARD ATTRIBUTES

Due to the democratic process followed for the election of Directors that comprise some of the Board, it is recognised that it may not always be possible to attract Directors with required business or management skills through an election process.

Independent *Appointed* Director positions will be filled based on a set of skills, experience and professional standing as the Board may determine from time to time as necessary to enhance and complement the skills and attributes of directors. It is the responsibility of those directors who have been granted undirected proxies for the election of directors to utilise those proxies, as far as possible, to ensure that the skills as determined by the board are met.

The Board will utilise the Board Skills Matrix to ensure that the skills, experience, and attributes of the directors is appropriate for the size and complexity of Peplecare, and the industry in which it operates. The skill mix on the Board may vary from time to time, and the following is a guideline for those skills and experience that may be appropriate:

- a. Finance
- b. Risk Management
- c. Legal / Company Secretarial / Governance
- d. Sales / Marketing / Business Development
- e. Health Industry Specialist
- f. Business Strategy
- g. General / Information Technology / Human Resources Management.

The following key behavioural/other attributes are also expected in any person elected or appointed to a position as Director of Peplecare:

- *Independence of thought* – an ability to form and express an independent view and decision on the matters put before the Board, without coercion or influence from others.
- *Material Personal Interest* – complies with the Material Personal Interest policy of the company and appropriately discloses any material personal financial or business interests in the company or matters being presented for decision. The director's judgement is not to be affected by strong personal or family relationships with management or other Board members.
- *Excellent communication skills* – able to express themselves well at meetings, participate actively in debate, and provide well considered and summarised thoughts on subject matter before the Board. Excellent written skills are also appropriate for active contribution to Board matters (forming resolutions, strategy, etc.)
- *Able to spend the required time on Peoplecare governance* – is not committed to other organisations / employment / Boards to an extent where their contribution to Peoplecare will be constrained or limited.
- *Questioning / challenging / focused* – will actively question and challenge, where appropriate, information presented by management and will provide input to assist the Board in decision making.
- *Balanced commercial focus* - commercially focused, but balanced with mutual / member / community values so as to achieve the best mix of business underpinned with values focussed on service to members.
- *Assertive while not dominant* – able to get their view through to other Board members and management, without dominating the discussion or becoming aggressive.
- *High ethical standards* - in terms of personal conduct, and conduct while attending Board and member meetings, and while conducting business or interacting with members, Peoplecare staff, or the community, including compliance with the Peoplecare EEO & Anti-discrimination policies.

DIVERSITY

The Peoplecare Board recognises and values diversity on the Board and, in addition to gender balance, will actively pursue an appropriate mix of skills, experience, independence, knowledge, age, cultural backgrounds and work styles to best reflect and effectively represent 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.

BOARD PROCESS

The Board & Board Committees meet regularly in accordance with the Board approved annual calendar. The Board plans its business each year through an Annual Agenda, where key business items are raised at each meeting on a pre-determined cyclical basis.

The Chief Executive Officer and Company Secretary are responsible for ensuring the preparation of Board business papers and provide any additional information necessary for the Board to discharge its responsibilities effectively.

All Board decisions are made on a consensus basis so far as possible. Directors may elect to have the details of their vote recorded in the minutes. It should be noted that under the Constitution of the Company, the Chair of the Board has a casting vote in instances where there is an equality of votes.

The Company Secretary is accountable to the Board in regard to governance matters and will ensure that board policy and procedures are followed, the co-ordination and despatch of Board business papers, and the preparation of requisite minutes and action item schedules for effective follow-up.

The Board utilises the following committees to assist in the discharge of its duties:

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

In addition, other ad-hoc committees will be established as required to manage specific issues. The extent, role and structure of committees are commensurate with the size of the company.

Each Board committee has an established Terms of Reference that is regularly reviewed by those committees with recommended changes approved by the Board; the current Terms of Reference for each committee forms part of this Governance Statement.

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

The Board will also conduct a strategy review each year clearly setting guidelines for the executive to translate into a business plan for the company.

EXTERNAL ADVICE

In consultation with the Chairman, Directors can seek independent external professional advice on business matters relating to Peplecare at the company's expense.

External independent professional advice is also available to Directors while acting in positions on Committees of the Board.

BOARD REMUNERATION

Change to the total aggregate sum of remuneration available to Directors is approved by members of the company at the Annual General Meeting.

This aggregate sum covers total Director Remuneration including superannuation requirements, and fees for Appointed and Associate Directors but excluding remuneration for special or additional duties undertaken by a Director over and above their usual role or duties as a Director.

The aggregate sum required as remuneration for Directors will be reviewed annually, and considers a balance of:

- the mutual / not-for-profit status of the company, and a need to focus on appropriate containment of management costs of the company;

- the requirement for appropriate skills and experience on the Board for effective governance and the benefit of members over the long term;
- the market level of Directors' fees required to attract appropriate candidates;
- the market level of Directors' fees for similar companies.

External advice and surveys may be used from time to time to determine an appropriate level of aggregate and individual director remuneration.

Director remuneration is allocated amongst Board members in accordance with a formula recommended to the Board by the Nomination, Development & Remuneration Committee from time to time, based on participation in meetings and Board Committees, and reflecting the additional skills, experience and qualifications of candidates appointed to positions as Chair of the Board or a Board Committee. The allocation formula must be approved by the Board. Such allocation may include reserving of some fees each year for special project appointments at a later date.

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 (or senior executive if applicable) concerned either not to be present at the meeting or not to participate in discussions whilst the item is being considered.

Section 195 of the Act states that should the Board decide to allow a director with a material personal interest to stay & vote on the matter, it must pass a resolution that:

- identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the company; and
- state that those directors are satisfied that the interest should not disqualify the director from voting or being present.

The attendance register of each meeting of Directors requires all present to sign a declaration in regard to material personal interest for any matter being discussed or considered for decision at that meeting.

In addition, directors and senior executives are required to complete or update a Material Personal Interest Disclosure Statement in the form approved by the Board.

DIRECTORS EDUCATION

The Company has a formal process to induct new directors and this includes an induction manual covering the nature of the business, governance, current industry issues, the Strategic Plan and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit Company's offices and meet with management to gain a better understanding of business operations.

The Board Nomination, Development and Remuneration Committee is responsible for setting the directors education budget, and ensuring directors are informed of, and attend, relevant forums and seminars in order to develop and enhance their knowledge in corporate governance, health or health insurance industry matters, or the changing environment of business operations.

In addition, all directors (other than associates unless expressly agreed) are required, as a minimum, to undertake the following:

1. Become members of the Australian Institute of Company Directors (AICD);
2. Undertake the "AICD Company Directors Course" within the first term following their appointment to the Board;
3. Maintain their membership with the AICD without recompense directly from company finances.

Management will also assist the Board through the Nomination, Development and Remuneration Committee, to develop a schedule of non-mandatory relevant scheduled short-courses to assist in their ongoing development.

Directors who are members of the Australian Institute of Company Directors are required to undertake Director Professional Development (DPD) to maintain their membership status. The Chair of the Board, or the Chair of the Nomination, Development and Remuneration Committee may approve attendance at some DPD courses at the Company's expense, provided these fit within the Board Education budget. Directors should be aware however those AICD DPD requirements are a director's personal responsibility.

Attendance at board approved director training costs incurred by the Company can include course fees, reasonable accommodation, meals and traveling expenses as appropriate.

Membership of the Australian Institute of Company Directors ensures directors are regularly and independently informed of ongoing governance issues and provided with avenues for personal development.

BOARD AND DIRECTOR PERFORMANCE APPRAISAL

The Board has approved and introduced a director performance appraisal system, whereby the performance of the whole Board, individual directors, and Board Committees are reviewed annually against approved criteria. Performance appraisal will normally be an internal process recommended by the Nomination, Development and Remuneration Committee but at least once each three years an external review will take place.

Approved criteria for the review process shall include assessment in areas of:

- Strategy and planning;
- Board structure and role;
- Business performance monitoring;
- Meeting attendance and preparedness;
- Board and Director responsibilities;
- Director conduct and contribution at Board meetings;
- Effectiveness of the Board committees, and the fulfilment by each Committee of its role and the terms of Reference.

The Chair of the Board will drive improvements in Board and individual director performance utilising results of the annual performance review, together with knowledge of the conduct of each director gathered throughout the year.

BOARD MEETING STRATEGY AND INTERNAL CONTROL

The Board has instituted a standard system that governs the process of all Board meetings to ensure that due recognition is given to ensuring that all relevant business requirements are effectively maintained, including but not limited to;

- Business Planning and Review
- Risk Management Planning and Review
- Compliance Management and Internal Control
- Business Performance Reporting including detailed financial analysis.

The annual Board Program also highlights issues to be considered at various meetings & events throughout each calendar year, to ensure Board coverage of every business aspect in appropriate timeframes and cycles.

SENIOR MANAGEMENT

The Board ensures that senior management (comprising the CEO and Executive Team) and Board of Peplecare collectively have the knowledge, skills and experience necessary for the prudent operation of Peplecare, and to deal with the challenges & 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 resides in Australia and is available to meet with APRA on request.

STANDARDS OF ETHICAL BEHAVIOUR

As part of the Board's commitment to the highest standard of conduct, the Company adopts Standards of Ethical Behaviour to guide the Board, individual directors, and executive management in carrying out their duties and responsibilities. The executive management will also ensure that the principles of these behaviours flow to all employees through Human Resource Policies and work practices generally.

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 Company and through this responsibility, through to the members of the company and 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.
- Has 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.

- Confidential information received by a Director or Executive Manager while acting in that role for the company remains the property of the company and 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.
- Shall comply with all relevant Human Resources policies of the company, in regard to their conduct while in the presence of staff, members and others.
- 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
- Has 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 Conduct.
- Ensure that no prospective, current, or former officer, employee or contractor of Peoplecare 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 Peoplecare;
 - from providing documents under their control to APRA, that may be relevant in the context of the management or prudential supervision of Peoplecare; 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 Peoplecare.

DELEGATIONS

The Board delegates the day to day management responsibility for the company to the Chief Executive Officer.

A separate Delegations Policy is in operation, that includes delegations of authority to the Chief Executive Officer, other executive managers, and other positions within Peoplecare, and reviewed annually as a Board annual program item.

DIRECTOR ELECTION & APPOINTMENT PROCESS

The Board determines the process for election or appointment of directors through the Nominations, Development & Remuneration Committee. This will consider:

- The requirements included in the Board Renewal Policy, and the Constitution of the company;
- Providing members with adequate and complete notice of upcoming director elections;
- The skill and experience attributes required on the Board, and assessment of the need for appointed positions;
- Ensuring that any director candidate is Fit & Proper in accordance with prudential standard *CPS520 Fit & Proper*, and Peoplecare's *Fit & Proper Policy*.
- Providing elected director candidates with an opportunity to present their credentials and a short testimonial to all members prior to the AGM.

- Ensuring director candidates will be assessed for independence in accordance prudential standard *CPS 510 Governance*, utilising the criteria included as *Attachment A – Director Independence* appended to that standard.

The guidelines for the election & appointment processes are updated by the Company Secretary in accordance with the requirements set by the Nominations, Development & Remuneration Committee.

APPENDICES

The following documents form part of the Corporate Governance Statement of the company:

1. Audit Committee Terms of Reference
2. Risk Committee Terms of Reference
3. Nomination, Development and Remuneration Committee Terms of Reference
4. Peoplecare Fit & Proper Policy
5. Peoplecare Delegations Policy
6. Peoplecare Remuneration Policy
7. Peoplecare Board Renewal Policy
8. Peoplecare Risk Management Strategy.

| Version | Date | Author | Distribution | Comments |
|---------|------------------|-------------------------------|---|---|
| 1.0 | 10 February 2016 | Norman Branson (Chair) | Board of Directors | Establishment of Board Governance Policy – Version Control Copy #1 |
| 2.0 | 1 March 2017 | Michael Bassingthwaighe (CEO) | Board of Directors CFO Executive Assistant | Review of policy – no changes |
| 3.0 | March 2018 | Dale Cairney (Deputy CEO) | Board of Directors CFO Executive Assistant | Interim Review – full review to be undertaken against APRA Standard CPS510 late 2018 once the final form of the Standard, as applicable to PHI's, is known. |
| 3.1 | March 2019 | Dale Cairney (Deputy CEO) | Board of Directors, Executive Managers, Executive Assistant | CPS510 and CPS520 compliance review and update. |
| 4.0 | March 2019 | Dale Cairney (Deputy CEO) | Board of Directors, Executive Managers, Executive Assistant | Board edited and endorsed. |

Attachment A – Director Independence

(extract from APRA Prudential Standard CPS510 Governance)

A director is not independent if the director:

1. *is a substantial shareholder of the APRA-regulated institution or an officer of, or otherwise associated directly with, a substantial shareholder of the institution;*
2. *is employed, or has previously been employed in an executive capacity by the APRA-regulated institution or another member of the group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;*
3. *has within the last three years been a principal of a material professional adviser or a material consultant to the APRA-regulated institution or another member of the group, or an employee materially associated with the service provided;*
4. *is a material supplier or customer of the APRA-regulated institution or another member of the group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or*
5. *has a material contractual relationship with the APRA-regulated institution or another member of the group other than as a director.*