

## CORPORATE GOVERNANCE STATEMENT

### V6.0 March 2022

Version	6.0
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Approval date	9 March 2022
Approved by	Board of Directors
Next review date	March 2024
Review frequency	Every 2 years
Related Peoplecare policies/procedures	<ul style="list-style-type: none"> <li>• Board Renewal Policy</li> <li>• Director Travel &amp; Expenses Policy</li> <li>• Fit and Proper Policy</li> <li>• Remuneration Policy</li> <li>• Delegations Policy</li> <li>• Peoplecare Constitution</li> <li>• Risk Committee Terms of Reference</li> <li>• Audit Committee Terms of Reference</li> <li>• People and Culture Committee Terms of Reference</li> </ul>
Related legislation/standards	<ul style="list-style-type: none"> <li>• Private Health Insurance Act 2007</li> <li>• Corporations Act 2001</li> <li>• APRA Prudential Standard CPS 510 Governance</li> <li>• APRA Prudential Standard CPS 520 Fit and Proper</li> <li>• APRA Prudential Standard HPS 310 Audit and Related Matters</li> <li>• APRA Prudential Standard CPS 320 Actuarial and Related Matters</li> </ul>
Policy owner	Board of Directors
Scope	All governance arrangements and processes for Peoplecare Health Limited

This policy is scheduled for review every 2 years as part of Peoplecare's standard 2 yearly cycle, unless legislative or prudential requirements or risk events require it to be reviewed earlier.

## 1. PURPOSE

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 CPS 510 Governance, and CPS 520 Fit & Proper.

## 2. BOARD COMPOSITION

The Constitution of the company (Clause 4.1) specifies the composition of the Board as being six directors, consisting of two member-elected and four board-appointed directors, and that the majority of directors must be independent<sup>1</sup>, and a majority must reside in Australia.

Directors and director candidates must meet the requirements of Peoplecare's Fit and Proper Policy before appointment and must continue to do so throughout their tenure on the Board. Directors who no longer meet the Fit and Proper Policy requirements are not eligible to serve as a director and their appointment will immediately cease. Further eligibility criteria are noted in Clauses 4.2 *Eligibility*, and 4.10 *Eligibility for appointment and cessation of a Director's appointment* of the Constitution.

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, this Corporate Governance Statement, 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 People and Culture Committee (PCC) 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.

### *Associate Directors*

The Constitution provides under Clause 4.13 *Associate Directors*, that the Board may appoint not more than two persons as associate directors for a term not exceeding one year; the associate can be re-appointed for further one-year terms, to a maximum of three one-year terms.

Associate directors have limited powers (see Cause 4.13.7 of the Constitution), including their vote not counting on resolutions, and their presence at meetings not counting towards a quorum. The associate director attends Board meetings at the invitation of the Board.

Although an associate director has no automatic right of Board meeting 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

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<sup>1</sup> See Appendix 1 – CPS510 Governance Definition – Director Independence

meetings. It may be appropriate from time to time to exclude such associates from certain in-camera board discussions.

#### *Director Tenure*

The Constitution<sup>2</sup> provides that the normal term of office for directors is 3 x 3 years, with each appointment beyond that being for a one-year term. The Board has set a maximum twelve (12) year term available to the Board, in concurrence with APRA's expectations<sup>3</sup>. The Board considers 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.

### **3. BOARD RESPONSIBILITIES**

The Board's overall responsibilities include:

3.1 Set the strategic direction of the company in the best interest of members after considering the external environment and 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.

3.2 Review and approval of corporate policies and strategies.

3.3 Monitoring the financial position and financial performance of the company including consideration and approval of budgets, and financial reports at least annually.

3.4 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 operation of non-health and health related businesses conducted by Peoplecare.

3.5 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.

3.6 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*.

3.7 Ensure that plans related to Business Continuity, and Recovery and Resolution are in place and regularly reviewed in accordance with the Board's calendar.

3.7 Ensuring that the company complies with all relevant legislation.

3.8 Ensuring that the Governance processes for the company are in accordance with APRA Prudential Standards *CPS 510 Governance*, and *CPS 520 Fit & Proper*, and that each director and senior manager is available to meet with APRA on request.

3.9 Appointment of the Chair of the Board, and establishment of Board Committees to assist in the discharge of the Board's duties, responsibilities, and the requirements of APRA prudential standards.

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<sup>2</sup> Clauses 4.7.4 – Elected Directors, and 4.9.4 – Appointed Directors.

<sup>3</sup> Prudential Practice Guide HPS 510 Governance, cl. 35.

3.10 Monitoring the effectiveness of the Board, each Director, and Board Committees, and ensuring the Board is composed of an appropriate set of diverse, skilled and qualified directors to meet Governance Standard requirements and the business challenges faced by the company.

3.11 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 standards of ethical behaviour.

3.12 Approving & monitoring Capital Management Plans, major capital acquisitions, investments or divestitures in accordance with the approved delegation's policy guidelines.

3.13 Annually assessing the performance of the Appointed Actuary as required under CPS 320 *Actuarial and Related Matters*, and to assess the fitness and propriety of the Appointed Actuary under the requirements of CPS 520 *Fit and Proper*.

3.14 On recommendation from the Board's Audit Committee, annually assessing the performance and independence of the Appointed Auditor and Internal Auditor as required under HPS 310 *Audit and Related Matters*, CPS 510 *Governance* and assess their fitness and propriety under the requirements of CPS 520 *Fit and Proper*.

#### **4. 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 are selected by the Board of Directors at the December meeting of Directors each year.

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

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

#### **5. BOARD ATTRIBUTES**

The Board, through recommendation or advice from the NDRC, will utilise the Board Skills Matrix to ensure that the skills, experience, diversity and other attributes of the directors is appropriate for the size and complexity of Peoplecare, and the industry in which it operates. The skill-mix on the Board may vary from time to time to meet changing business, regulatory and environmental needs.

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. 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 and attributes as determined by the board are met.

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.

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

- *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.

## 6. 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.

## 7. BOARD PROCESS

The Board & Board Committees meet regularly in accordance with the Board approved annual calendar, and in accordance with the requirements of Clause 13 of the Constitution. A quorum for a board meeting is the greater of three or the majority of the directors in office at the time a meeting is held; a quorum must be present for the whole meeting.

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

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, in accordance with *Clause 9 – Board Committees* of the Constitution, utilises the following committees to assist in the discharge of its duties:

- Audit Committee;
- Risk Committee; and
- People and Culture 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 Corporate Governance Statement.

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

## **8. EXTERNAL ADVICE**

In consultation with the Chair of the Board, 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.

## **9. BOARD REMUNERATION**

In accordance with *Clause 11 – Directors' Remuneration* of the Constitution, changes 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 reasonable

expenses or 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 the *Remuneration Policy*, and a formula and timeframe recommended to the Board by the People and Culture 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.

## **10. 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 meeting processes require all present to disclose 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.

## **11. 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 People and Culture 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:

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

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.

Management will also assist the Board through the People and Culture 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 People and Culture 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.

The company may pay or reimburse reasonable costs for attendance at board approved director training, including course fees, reasonable accommodation, meals and traveling expenses as appropriate.

## **12. 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 People and Culture 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.

### **13. 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
- Governance and Board approved policy review
- Risk Management Review, environmental scans, scenario analysis, business continuity and recovery planning
- Compliance Management and Internal Control
- Business Performance Reporting, including detailed financial analysis.

The annual Board Program is included in a detailed Board Calendar, the Mandatory Controlled Documents register, and 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.

### **14. 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.

### **15. 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; directors must declare any such interests or related party transactions at the start of each Board meeting.
- 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.

## 16. 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.

## **APPENDIX 1**

### **DIRECTOR ELECTION & APPOINTMENT PROCESS**

The Board determines the process for election or appointment of directors through the People and Culture 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 CPS 520 *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 People and Culture Committee.

### **DIRECTOR INDEPENDENCE – APRA DEFINITION**

(extract from APRA Prudential Standard CPS 510 *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.*

## Version Control

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 Bassingthwaite (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.
5.0	March 2020	Dale Cairney	Board of Directors, Executive Managers, Executive Assistant	Update in accordance with revised Constitution, general tidy-up.
6.0	March 2022	Chris Stolk	Board of Directors, Executive Managers, Executive Assistant	Biennial review. Updated NDRC to People and Culture Committee. Reviewed against recently changed related policies.