

## BOARD CHARTER

### 1. Introduction

- 1.1 This Charter has been adopted by the Board of Directors of The Doctors' Health Fund Ltd (the "Fund") to assist the Board and its committees in the exercise of their responsibilities. The principles and policies set out in this Charter are in addition to and are not intended to change or interpret any laws or the application of the Fund's Constitution.
- 1.2 The Charter delineates the functions and responsibilities of the Board and Management. The Board gives direction and exercises judgment in setting the Fund's objectives and overseeing their implementation. The Chief Executive Officer is responsible to the Board for the day to day management of the Fund.
- 1.3 The Board is accountable to the members of the Fund for the performance of the Fund. In carrying out its responsibilities and exercising its powers, the Board undertakes to serve, at all times, the interests of members as well as of its employees and suppliers honestly, ethically, fairly, diligently and in accordance with all applicable laws.
- 1.4 The Board works to promote and maintain within the Fund at all times an environment which establishes these principles as basic guidelines for all of its employees.

### 2. Role of the Board

#### 2.1 *Guiding Principles*

*The Board's role is to provide strategic guidance to the Fund within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Fund's strategic aims, ensures that the necessary financial and human resources are in place for the Fund to meet its objectives and reviews the performance of management. The Board sets the Fund's values and standards and ensures that its obligations to the members of the Fund and to others are understood and met.*

- 2.2 The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Fund and of its members. In discharging that obligation, Directors should be entitled to rely on the honesty and integrity of the Fund's staff and on its outside advisors, contractors and auditors.
- 2.3 The Board should act at all times in a manner designed to create and build value for members of the Fund through improved returns consistent with risk minimisation strategies; and in accordance with the duties and obligations imposed upon the directors by the Fund's Constitution and Rules and by law.
- 2.4 The Board's responsibilities encompass the following:-
  - setting the strategic direction and financial objectives of the Fund and monitoring Management's implementation of that strategy; such strategy to be reviewed annually;
  - monitoring financial outcomes and the integrity of timely internal and external reporting to members of the Fund and to the regulators; in particular, to approve annual budgets and longer-term strategic and business plans;
  - approving the financial and other reporting mechanisms for adequate, accurate and timely information being provided to the Board;
  - effective and timely reporting to members of the Fund, including annual reports containing appropriate financial content; and other information that contains financial projections or statements as to future financial performance;

- approving any public statements which reflect significant issues of the Fund's policy or strategy;
- approving and monitoring the operating budget of the Fund, including the progress of major capital expenditure projects, capital management and acquisitions and divestments;
- approving the Fund's financial policies and financial statements;
- approving any changes to the delegations made by the Board.
- approving and monitoring any matters in excess of authorities that, from time to time, it might have delegated to the Chief Executive Officer and staff;
- monitoring the Fund's operational and financial position and performance;
- monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- ensuring that effective audit, internal controls, risk management, codes of conduct and compliance systems are in place to protect the Fund's assets and to minimise the possibility of the Fund operating beyond legal requirements or beyond acceptable risk parameters; this includes identifying the main risks associated with the Fund's activities and reviewing procedures and systems in place to manage these risks;
- setting specific limits of authority for Management to commit to new expenditure, to enter contracts or acquire businesses without prior Board approval;
- approving policies of a Fund-wide or general nature;
- monitoring compliance with regulatory requirements (including continuous disclosure) and ethical standards;
- reviewing the remuneration and conditions of service for the Chief Executive Officer and other staff reporting to the Chief Executive Officer; and
- appointing and reviewing conditions of service and the performance of the Chief Executive Officer and other selected staff, and where appropriate, removing the Chief Executive Officer and, in agreement with the Chief Executive Officer, those staff who report to the Chief Executive Officer.
- The Chief Executive Officer consults with the Chairman or a Director nominated by the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic or reputational nature.

### 3. Composition and Structure of the Board

#### 3.1 *Guiding Principle*

*The Board should include a balance of directors such that the balance of skills and experience is appropriate for the requirements of the Fund. These requirements include:*

- *understanding collectively the risks to the Fund*
- *understanding the Fund's legal prudential obligations*
- *effective oversight of management, and*
- *effective contribution to the board's deliberations and processes.*

3.2 The full Board determines the Board's size and composition, subject to limits imposed by the Fund's Constitution. The Constitution provides for a minimum of five directors and a maximum of seven directors. For the time being, the Board has determined that there shall be five directors, three of whom, including the Chairman, are medical practitioners.

3.3 The Board must have a majority of non-executive directors at all time. A non-executive director is one who is not a member of management and not an employee of the Fund.

- 3.4 The board must have at least 2 independent directors and an independent chairman. An independent director is as defined in the Private Health Insurance (Insurer Obligations) Rules 2009.
- 3.5 Succession planning for the Board is reviewed regularly. In considering potential new directors to commend to members, the Board seeks to identify candidates, with appropriate skills and experience to contribute to the effective direction of the Fund, who can exercise an independent and informed judgment on matters which come before the Board, and who are free of any business or other relationship which might interfere materially with the exercise of that independent judgment.
- 3.6 Whenever necessary and appropriate, the Board may make arrangements for ready access to such skills externally where they are not available within the Board.
- 3.7 Directors are appointed under formal letters of appointment setting out the key terms and conditions of the appointment to ensure that Directors clearly understand the Fund's expectations.
- 3.8 The Board composition is reviewed annually by the Board to ensure that the directors between them bring the range of skills, knowledge and experience necessary to direct the Fund going forward, can effectively review and challenge the performance of Management and can exercise independent judgement.
- 3.9 The Board does not impose limitations on the number of years for which a Director can serve.

#### 4. Chairman

##### 4.1 *Guiding Principle*

***The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and in setting its agenda.***

- 4.2 The Directors annually elect one of their members to the office of Chairman. There is no limit to the number of terms for which any one Director is eligible for election as Chairman.
- 4.3 The Chairman presides over the Board and general meetings of the Fund. He or she has the task of making sure that the Board is well informed and effective, and that Directors, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Fund.
- 4.4 The Chairman is responsible for ensuring that the meetings of the Board are conducted competently and is expected to provide effective leadership in formulating the strategic directions for the Fund.
- 4.5 The Chairman must ensure that general meetings of the Fund are conducted efficiently and that members of the Fund have adequate opportunity to air their views and obtain answers to their queries.
- 4.6 The Chairman's other responsibilities include:-
  - ensuring that Directors are well briefed and have access to information on all aspects of the Fund's operations;
  - being the Board's representative in dealings with Management ensuring that the Board's views are communicated clearly and accurately;
  - acting as the primary counsellor to the Chief Executive Officer;
  - representing the views of the Board to the public, regulators, governments etc. on appropriate occasions;
  - setting the agenda for Board meetings, in consultation with the Chief Executive Officer;
  - and

- establishing a protocol to take effect when the Chairman is absent.
- 4.7 Should the Chairman be absent from a meeting, the Directors present at that meeting shall elect an acting Chairman for that meeting.
- 4.8 The Chairman must be an independent director, or alternatively be someone approved by the Private Health Insurance Administration Council.
- 4.9 A person cannot be the Chairman if he or she has been the Chief Executive Officer (or equivalent) at any time during the previous 3 years.

## 5. Independence of the Board

- 5.1 All Directors are to exercise independent judgement in decision-making.
- 5.2 Directors may access information and seek independent advice which they consider necessary to fulfil their responsibilities and to exercise independent judgement in decision-making.
- 5.3 Directors are entitled to:
- have access to Management at any time to request relevant and additional information and to seek explanations;
  - have access, without Management present, to the Auditors to request additional information and to seek explanations; and
  - with the Chairman's or the Board's consent, seek independent professional advice, at the Fund's expense.

## 6. Committees of the Board

### 6.1 *Guiding Principle*

***The Board from time to time establishes standing and ad hoc committees to assist it in carrying out its responsibilities.***

- 6.2 For each Committee, the Board adopts a charter setting out the Committee's role, composition, powers, responsibilities, structure and any other relevant matters. The Board appoints a chairman and other members of any Board committee and makes changes to membership.
- 6.3 Membership of Committees is restricted to Directors of the Board, although members of staff and others may be invited to attend Committee meetings, either *ad hoc* or regularly.
- 6.4 Any Director may attend meetings of any Committee of which they are not a member.
- 6.5 The Board evaluates the operations and performance of each Committee annually, following the evaluation made by each Committee of its own performance.
- 6.6 The Board establishes and maintains as standing committees:
- Audit, Risk and Compliance Committee;
  - Human Resources, Remuneration and Nominations Committee; and
  - Marketing and Business Development Committee.

## 7. Meetings of the Board

- 7.1 The Board meets formally at least six times per annum and whenever otherwise necessary to deal with urgent matters which might arise between scheduled meetings.
- 7.2 The Board may meet in person or by any means of electronic communication which ensures that each Director has a fair opportunity to put their opinions.
- 7.3 The Board may consider a matter of urgency by round robin e-mail, facsimile etc with Directors conveying their vote in on the matter via such electronic communication to the Chairman, who shall regard such votes as valid and binding.

- 7.4 The Board has guidelines to ensure that all Directors receive papers for consideration and regular reports in advance of meetings to enable them to participate in an informed manner.
- 7.5 The Chief Executive Officer normally attends Board meetings and meetings of the Audit, Risk and Compliance Committee.
- 7.6 At the meeting of the Board which next follows each Committee meeting, the Board is provided with a verbal report on the proceedings of that Committee's meeting, as well as a copy of either the draft or confirmed minutes of that meeting.
- 7.7 The external auditor meets with the Audit, Risk and Compliance Committee on behalf of the Board as part of the full year financial reporting process.

## **8. Remuneration of Directors**

In accordance with the Constitution of the Fund and with the decision of members of the Fund at an Annual General Meeting as to the total remuneration to be paid to Directors, the Board determines the remuneration payable to individual Directors and to members of Committees. The Board may obtain advice and recommendations from an appropriate independent external expert.

## **9. Independent Expert Advice**

- 9.1 The Board, an individual Director or a Committee may engage an independent external advisor in relation to any Board matter at the expense of the Fund. Before the external advice is sought, consent must be obtained. In the case of:
- the Board – by a motion approved by the Directors;
  - an individual Director - from the Board Chairman or from the relevant Committee Chairman, as the case may be; and
  - a Committee - from the Board Chairman or from the Committee Chairman.
- 9.2 The Chairman or a Committee Chairman, as relevant, may determine that any external advice received by an individual Director or Committee be circulated to the other Directors. All Directors are entitled, on request, to be given a copy of any external advice received.

## **10. Assessment and Evaluation of Board Performance**

- 10.1 The Board and each Committee undertakes an annual performance evaluation of itself to:
- compare the performance of the Board or the relevant Committee with the requirements of its Charter;
  - set forth the goals and objectives of the Board and/or of the relevant Committee for the upcoming year; and
  - effect any improvements to the Board and/or Committee Charters deemed necessary or desirable.
- 10.2 The performance evaluation is conducted in line with documented procedures and covers the board and each committee as well as each director individually.

## **11. Conflicts of Interest**

- 11.1 A Director who has:
- a material personal interest in a matter which relates to the affairs of the Fund; or
  - any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict or interest,

may not be present at a meeting (including Committee meetings) when the matter is being considered and may not vote on the matter.

- 11.2 The minutes of the meeting should record the decision taken by the Directors who do not have an interest in the matter.

## **12. Indemnification of Directors**

The Directors of the Fund are each indemnified against liability they incur in their capacity as a director subject to Corporations Act restrictions.

## **13. Ex-Gratia and insurance coverage requests**

The Board is responsible for reviewing member ex-gratia and insurance coverage requests that are referred for approval by management in accordance with the Fund's delegations policy.

## **14. Separation of Functions between the Chairman and the CEO**

- 14.1 The roles of the Chairman and the Chief Executive Officer are strictly separated.

- 14.2 The Chairman is responsible for:

- ensuring that the Board provides leadership and vision to the Fund;
- establishing the Board agenda;
- presiding over Board meetings and directing Board discussions to effectively use the time available to address the crucial issues facing the Fund;
- ensuring that Board minutes properly reflect Board decisions;
- making certain that the Board has the necessary information to undertake effective decision-making and actions;
- developing an ongoing relationship with the Chief Executive Officer; as the major point of contact between the Chief Executive Officer and the Board, the Chairman should be kept fully informed of the day-to-day matters of interest to Directors;
- acting as a mentor for the Chief Executive Officer;
- guiding the ongoing effectiveness and development of the Board and individual Directors.

- 14.3 The Chief Executive Officer is responsible for:

- taking and approving all and any actions and initiatives required to deliver the Fund's strategic and operational plans as approved by the Board;
- ensuring that transactions outside the Chief Executive Officer's delegation levels are referred to the Board for approval;
- ensuring that all actions comply with the Fund's policies in force from time to time;
- other responsibilities as delegated by the Board.

## **15. Authority Delegated to the Chief Executive Officer**

The Board has delegated to the Chief Executive Officer authority over the day-to-day management of the Fund and its operations. This delegation of authority includes responsibility for:

- developing business plans, budgets and strategies for the Fund for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;

- operating the Fund's business within the parameters set by the Board from time to time, and keeping the Board informed of material developments in the Fund's business;
- where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- identifying and managing operational and other risks and, where those risks could have a material impact on the Fund's business, formulating strategies for managing these risks for consideration by the Board;
- managing the Fund's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
- ensuring that the Board is provided with sufficient information on a timely basis in regard to the business of the Fund, and in particular with respect to the Fund's performance, financial condition, operating results and prospects, to enable the Board to fulfil its governance responsibilities;
- implementing the policies and processes approved by the Board; and
- implementing policies, processes and procedures for the management and development of the Fund's employees.

#### **16. Review of the Board Charter**

The Board reviews this Charter annually and makes any changes it determines necessary or desirable.