

## Defence Health Governance Structure

The following is a summary of matters contained in Company's constitution, the Board Charter and key policies. This is current as at 24<sup>th</sup> July 2023.

The Board comprises eight non-executive Directors including a non-executive Chairman, and one Associate Director. The Board has assessed that all Directors are independent.

Our Directors are appointed for a maximum of four-years, after which they may be reappointed.

The Board may exercise all the powers detailed in the Constitution, provided those powers do not become contrary to the law or a direction given by the Company in general meeting.

The powers and duties of the Board are specified in the company's Constitution, the Corporations Act 2001, the Private Health Insurance Act 2007, the Private Health Insurance (Prudential Supervision) Act 2015 and other relevant legislation and law. The Board has developed and adopted a Board Charter which sets out:

- its specific powers and responsibilities
- establishment and responsibilities of Board Committees
- the matters reserved to the Board and those delegated to the Chief Executive Officer, Company Secretary, Chief Risk Officer and Committees
- procedures aimed at ensuring the effective operation of the Board.

The Board will be responsible for:

- participating in the development of, and ultimately approving, the Company's statement of the strategic plan, budget and performance objectives
- overseeing the Company, including its control and accountability systems
- having a risk management framework that is appropriate to the Company's size, business mix and complexity
- maintaining a Board approved risk appetite statement
- maintaining a Board approved risk management strategy that describes the key elements of the risk management framework that gives effect to its approach to managing risk
- forming views of the risk culture in the Company and the extent to which the culture supports the ability of the Company to operate consistently within the risk appetite, identifies any desirable changes to the risk culture and ensures that the Company takes steps to address those changes
- having an internal audit function that is adequately resourced and skilled for the size and corporate complexity of the Company, is independent, has processes which are clearly documented and subject to regular review, and the internal audit function has unfettered access to all business operations of the Company. The internal audit function must include an evaluation of the adequacy and effectiveness of the financial and risk management framework of the Company
- having a Board approved business plan that sets out its approach for the implementation of its strategic objectives

- ensuring senior management monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board
- maintaining adequate resources to ensure compliance with APRA Prudential Standard CPS 220 Risk Management
- notifying APRA when it becomes aware of a significant breach of, or material deviation from, the risk management framework, or that the risk management framework does not adequately address a material risk
- approving and monitoring financial and other reporting to the Constitutional Members and other parties to whom such reports should be provided
- approving and monitoring the progress of major capital expenditure and divestitures and capital management
- ensuring compliance with all relevant prudential standards for the business of the Company
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available
- appointing and removing the CEO, Company Secretary and other members of the Executive team (the Executives)
- determining the remuneration and incentives for the Executives
- considering the appointment and removal of Directors to and from the Board and, where appropriate, through the Chairperson, making recommendations to the Constitutional Members
- considering the aggregate amount of Directors' remuneration and, through the Chairperson, making recommendations to the Constitutional Members
- ensuring that the business is conducted ethically and transparently and that all decisions taken give priority to the interests of contributors.

The Chairman is responsible for ensuring the Board receives accurate, timely and clear information to enable it to evaluate the performance of management and the company and to make informed decisions.

The Company Secretary is responsible for ensuring compliance with Board procedures and provides advice to the Board, via the Chairman, on governance matters.

#### Director induction and continuing education

Directors are provided with detailed briefings by management on corporate strategy and current issues affecting the company and the private health insurance industry generally. All Directors are encouraged to meet with employees from all areas of the business.

In a commitment to continuous improvement, all Directors are encouraged to undertake ongoing professional development. Directors are provided with the resources and training to address skill gaps where they are identified.

#### Conflicts of interest

The Board maintains a register of Directors' interests that could potentially conflict with those of the company.

Directors who may have, or may be perceived to have, a material personal interest in a matter before the Board do not participate in discussions and abstain from voting on that matter.

### Independent professional advice and access to company information

With the approval of the Chairman, Directors may independently (or collectively) seek advice from independent experts to assist with the discharge of their responsibilities.

The Directors also have access to all relevant company information and to the Executive management team.

### Directors' remuneration

Directors' remuneration is determined each year. No retirement benefit, other than superannuation, is payable when a Director leaves office. The aggregate amount of Directors' and specified executives' remuneration is advised by the Constitutional Members and set out in the notes to the annual financial statements.

### Defence Health Board committees

The Board has established the following standing Committees:

- Nomination and Remuneration Committee
- Risk Committee
- Audit Committee, and
- Investment Committee.

Committees are of sufficient size, independence, and technical expertise to discharge their responsibilities effectively. The Chairperson of the Committee may invite other Board members to attend committee meetings. The CEO and other staff may be requested to attend meetings.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee is established to assist the Board and the Chairperson on matters pertaining to Board membership (including composition, appointments and re-appointments, skills, development, and remuneration), the appointment and remuneration of the CEO and Executives. Executives are those managers who are direct reports to the CEO and such other people determined by the Executive Remuneration Policy.

### Risk Committee

The Risk Committee will assist the Board by providing an objective non-executive oversight of the implementation and operation of the company's risk management framework and compliance.

### Audit Committee

The Audit Committee will oversee all matters concerning:

- APRA statutory reporting requirements
- professional accounting requirements and standards
- internal and external audit
- the appointment and removal of the company's external and internal auditors and
- the annual financial statements, including the suitability of the accounting policies adopted by the Company (reporting).

### Investment Committee

The Investment Committee assists the Board by focusing on the management and monitoring of the Company's investment portfolio, with emphasis on compliance with the Company's capital management and liquidity requirements.

### Accountability

#### External audit

Deloitte Touche Tohmatsu audits the statutory financial report of the company in accordance with the Corporations Act 2001.

The Audit Committee meets with the external auditors to:

- review the external audit plan, with regard to any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements
- consider the results and findings of the auditor, the adequacy of accounting and financial controls, and progress in implementing recommendations of the auditor
- review the financial report and any significant adjustments resulting from the external audit process.

#### Internal control framework

The Board is responsible for the overall internal control framework and for reviewing its effectiveness. While no internal control system will preclude all errors and irregularities, the systems provide appropriate assurance on:

- accuracy and completeness of financial reporting
- safeguarding of assets
- maintenance of proper accounting records
- compliance with applicable legislation, regulation, and best practice
- identification and mitigation of business risks.

The key features of our control environment include:

- charters for the Board and each of its committees
- clearly understood organisational structure with documented delegations of authority from the Board to executive management
- defined procedures for the approval of major **transactions and capital expenditure**.

#### Internal audit and risk management

The Company maintains a risk and compliance function commensurate with the risk and size of our operations. The Company also implements a 'three line of defence' structure to risks. The first line being at the business level, the second being our internal risk and compliance function which provides internal assurance, and third level is external assurance primarily through our appointed internal and external auditors who report directly to the Audit Committee.

The third line internal audit function is performed by KPMG Audit & Risk Advisory Services in accordance with a risk-based internal audit plan. This plan is reviewed and approved annually by the Audit Committee. All audit reports are reviewed by the Committee.

The risk management methodology in place includes maintaining adequate resources to ensure compliance with APRA Prudential Standard CPS 220 Risk Management. A key component of the strategic risk management planning and operational reviews is the identification and evaluation of potential business risks.

Each quarter, management conduct a risk assessment of enterprise risk which is discussed and endorsed at Risk Committee and reported to Board. The assessment process includes a quarterly environmental scan, performance to strategic plan, known incidents and issues, and controls testing and review. The risk assessment includes input from the Board, executive and management.

Through the standing CRO report, the Board regularly receives updates on the status of key business risks.

### Ethical standards

Our ethical conduct policy provides clear guidance on expected standards of behaviour, including:

- acting within the law
- maintaining consistency in dealings
- respect and dignity for others
- confidentiality and privacy
- honesty and fairness in the promotion of products and services
- fairness in competing
- equal opportunity
- harassment
- misuse of substances
- conflicts of interest
- gifts and entertainment
- social responsibility.

All employees understand they are personally responsible for:

- awareness of laws, regulations and policies that apply to their role
- not compromising our values or standards, regardless of pressure from internal or external forces
- directing their concerns to the appropriate person and offering suggestions for improvements where appropriate
- seeking advice and assistance regarding the application of ethical standards.

Managers are responsible for:

- acting as a positive role model
- ensuring others have the knowledge and resources they need to adhere to our standards and enforcing them fairly and consistently
- setting clear, measurable, and challenging goals that promote ethical behaviour
- responding appropriately to those who have questions and concerns
- being personally accountable for their own integrity and shortcomings as well as those of the people they lead.