

# Corporate Governance Guidelines



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## 1. Corporate Governance Framework

- 1.1 The role and responsibilities of the Board of Directors (the Board) are set out and the Board operates in accordance with the broad principles set out in its Board Charter. The Board Charter also details the membership and operation of the Board.
- 1.2 The Board provides overall strategic guidance for Teachers Federation Health Ltd (TH or Company) and effective oversight of management. The Board ensures that the Company complies with its Constitution and all legal and regulatory requirements. The Board has reserved to itself the following specific responsibilities:
- a) *Strategy* including charting the direction, strategies and performance objectives for TH and monitoring the implementation of those strategic and business plans and performance objectives.
  - b) *Oversight of management* including the regular monitoring and assessment of senior executive's performance including the Chief Executive Officer (CEO) in achieving Board approved strategies and budgets against key performance indicators set by the Board and approving CEO remuneration policies and practices.
  - c) *Stakeholders* including ensuring effective communication with Company members, policyholders, other stakeholders and the broader community.
  - d) *Ethics, conduct and culture* including:
    - actively promoting ethical and responsible decision-making;
    - establishing and maintaining a code of conduct to guide its directors, senior executives and all employees in the practices necessary to maintain confidence in TH integrity; and
    - forming a view of the risk culture and identifying changes required to improve the risk culture and ensuring the changes are implemented.
  - e) *Oversight of financial and capital management* including establishing and overseeing TH accounting and financial management systems, monitoring TH financial results on an ongoing basis, reviewing and approving the annual financial report and approving decisions affecting the investments and capital of TH.
  - f) *Compliance and risk management* including establishing, overseeing and regularly reviewing systems of internal compliance, risk management and control, and systems of legal compliance (including but not limited to Privacy and WH&S) that govern the operations of TH, and ensuring they are operating effectively.
- 1.3 The Board has delegated to the CEO the authority to manage and control the day to day affairs of TH other than those specifically reserved to itself in the Board Charter and the Delegations of Authority Policy. These authorities are exercised within an extensive system of internal controls.
- 1.4 The Board consistently places high importance on the governance of TH, which it believes is vital to the wellbeing of the Company. Consequently, TH has adopted a comprehensive framework of corporate governance guidelines and policies that are reviewed on a regular basis.
- 1.5 As at 30 June 2019, the Board's corporate governance practices are broadly based on the corporate governance principles issued by the ASX Corporate Governance Council (the 3rd edition of Corporate Governance Principles and Recommendations) as far as they are applicable to an

unlisted, not-for-profit company limited by guarantee, and reflect the ongoing focus of the Board in discharging its responsibilities at an appropriate level to meet the full expectations of Company members, policyholders, regulatory authorities and the general community.

- 1.6 The Company is regulated by the Australian Prudential Regulatory Authority (APRA). APRA has determined prudential standards pertaining to governance. The corporate governance framework provides a solid foundation to enable compliance with those prudential standards.
- 1.7 TH is committed to keeping its Company members and policyholders informed about general developments in corporate governance and the practical impact of those developments for TH.

## **2. Board of Directors**

- 2.1 The Board comprises up to a maximum of nine Directors, each of whom is required by the Constitution to be a non-executive Director. The Board Charter requires that directors must at all times bring an independent judgement to bear on all Board decisions. Accordingly, each Director has confirmed that he or she is independent (that is, free from any business or other association with TH that could materially interfere with the Director's independent judgement). Details of each Director's experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report in the Annual Report.
- 2.2 TH seeks to maintain an appropriate mix of skills, expertise, experience and diversity on the Board to ensure an understanding of and competence to deal with current and emerging issues relating to TH business and enhance the performance of the Company. The Board has determined to set a voluntary target for women on the Board at or above 40%. In addition to its charter, the Code of Conduct and these Guidelines, the Board has also adopted a Fit and Proper Policy for Responsible Persons to ensure that Company members and policyholders are represented by Responsible Persons of suitable character, integrity and competence.
- 2.3 The Board meets at least eight times per year according to a schedule determined at the end of each calendar year. The scheduled meetings are supplemented by special purpose meetings where required. An extensive agenda is prepared for each meeting. The agenda enables Directors to be adequately informed about the operations of TH, to monitor management's implementation of key strategic initiatives and to consider the environment in which the health benefits fund operates. Matters of a strategic nature are given priority. In addition to the Board meetings, a structured directors' development and strategy review is the major focus of the Board Strategy Day held at least annually.
- 2.4 TH actively promotes ethical and responsible decision making. Directors are required to disclose any conflicts and material personal interest to the Board. Where necessary the Board will evaluate whether a Director should participate in the consideration of a matter by using the mechanism set out in the Constitution and the Corporations Act 2001. Directors are required to review their positions to assist in the avoidance of situations where the interests of the Directors might affect, or appear to affect, decision making by the Board. This is further supported through the TH Conflicts of Interest Policy and Framework.
- 2.5 Managers responsible for critical areas of the business are regularly requested to brief the Board and its Committees so as to assist Directors in maintaining their familiarity with, and

understanding of TH activities. These briefings contribute to the assessment made by the Board about the performance of Management in running the business. External professionals and consultants also brief the Board and its Committees where appropriate.

- 2.6 The Board has in place a procedure whereby, after appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of TH to assist them to carry out their duties as Directors. The procedure provides that any such advice is generally made available to all Directors.
- 2.7 Directors participate in an induction program upon appointment and in addition, the Board has also established a program of continuing education. This includes sessions with experts in the particular fields relevant to TH operations and attendance at relevant conferences and seminars. The training and education programs ensure Directors keep up to date with developments in a dynamic and challenging industry. Directors are also encouraged to attend and actively participate in education sessions and courses offered by the Australian Institute of Company Directors and/ or the Governance Institute of Australia.

### **3. Performance Assessment**

- 3.1 The Board has a policy of undertaking an annual assessment of its collective performance and the performance of individual directors and of its committees. This assessment may be by way of self-assessment and is periodically supplemented by facilitation by a third party inclusive of interviews with directors. The Chairperson, and/or a facilitator if a third party is used, formally discusses the results of the performance review with the Board as a whole. The discussion also considers the effectiveness of the Board and its contribution to the Company. Each of the Board's committees also reviews its performance against the objectives of its respective Charter.

### **4. Appointment and election of directors**

- 4.1 TH seeks to have a Board comprised of directors that collectively have a range of skills, knowledge and experience to:
- a) understand and manage the risks to the organisation;
  - b) understand and ensure compliance with the organisation's legal and prudential obligations;
  - c) effectively oversee the management of the organisation; and
  - d) effectively contribute to the Board's deliberations and processes.
- 4.2 The private health insurance industry is heavily regulated and complex and as such directors need to have qualifications or experience that enables them to work within this environment. The Government regulatory agency, APRA, mandates governance and prudential standards that require ongoing compliance and all directors must develop and maintain a sound understanding of these obligations. To this end, the Board has established a set of general criteria and skills that would ensure that all directors of the Company would be able to carry out their responsibilities effectively.

- 4.3 Specific criteria may be developed for each appointment, having regard to:
- a) the immediate collective capacity of the Board in terms of the mix of skills, experiences, functional orientation and personal qualities;
  - b) the Board's renewal policy, succession plans and business development intentions; and
  - c) diversity, but only as a secondary dimension to skills, experience and personal qualities.
- 4.4 The Board has developed a Role Description for directors that details the role and responsibilities of directors as well as the professional qualifications and skills required.

Directors are appointed and/or elected to the Board in accordance with the Constitution (see section 15.3).

## 5. Chairperson

- 5.1 The Chairperson is an independent non-executive director appointed by the Board and may not be the CEO of the Company. The Chairperson's responsibilities include:
- a) leading the Board in reviewing and discussing Board matters;
  - b) ensuring the efficient organisation and conduct of the Board's function;
  - c) promoting constructive relations between Board members and between the Board and management; and
  - d) reviewing corporate governance matters with the CEO and reporting on those matters to the Board.

## 6. Board Committees

- 6.1 The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Each committee has its own written charter setting out its responsibilities, composition, structure and the manner in which the committee is to operate. The charter of each committee is reviewed every two years. Board committees have delegated authority within their charter of responsibilities and make recommendations to the Board. Activities of each committee are reported to the Board at the next full Board meeting.

Details about the membership of committees and the attendance of members at committee meetings are set out in the Director's Report in the Annual Report.

- 6.2 Where there are matters of relevance or interest to more than one committee, a joint meeting of those committees may be held to discuss the matter or, the matter may be dealt with by one committee before being referred to the other committee.
- 6.3 Audit and Finance Committee

The purpose of the Committee is to provide an objective, non-executive review of the effectiveness of TH's financial reporting and risk assurance framework.

The Committee comprises a minimum of three (3) and up to a maximum of five (5) non-executive members of the Board, a majority of whom are independent and each of whom have appropriate financial experience and understanding of the private health insurance industry. The Chairperson of the Audit and Finance Committee must be an independent non-executive director of TH who will not also be the Chairperson of the Board.

The Committee will, within the scope of its authority, oversee, review and make recommendations to the Board on:

- a) all APRA statutory reporting requirements;
- b) the financial reporting process to ensure the balance, transparency and integrity of published financial information;
- c) the financial condition of TH and the health benefits fund conducted by TH;
- d) the appointment, role and performance of the Appointed Actuary;
- e) the effectiveness of TH's internal control systems;
- f) the independent internal audit function including the appointment, independence, performance, remuneration and removal of the Internal Auditor;
- g) the independent audit process including the appointment, independence, performance, remuneration and removal of the External Auditor;
- h) the investment activities of TH including investment policy, investment strategy, investment performance and appointment of Investment Advisors;
- i) the maintenance of an effective Whistleblower Protection Policy and procedures, including how matters raised under the Whistleblower Protection Policy are dealt with to ensure appropriateness of action; and
- j) undertake any special projects delegated by the Board or deemed necessary by the Committee.

#### 6.4 People and Remuneration Committee

The People and Remuneration Committee has been established to assist the Board in fulfilling its statutory and regulatory responsibilities and to oversee, review and make recommendations to the Board relating to Board composition, renewal and performance, human resource matters and compliance with employment laws and regulations.

The Committee is comprised of a minimum of three (3) and up to a maximum of five (5) non-executive members of the Board, a majority of whom are independent directors.

The principal responsibilities of the Committee are to:

- a) make recommendations to the Board on the necessary and desirable competencies of the Board, Board succession plans, the process of evaluation of the performance of the Board, its Committees and Directors;
- b) make recommendations to the Board on the appointment of new Board member candidates, having regard to their skills, experience and expertise;
- c) develop and review induction procedures, continuing development and education programs for Board directors;
- d) establish and conduct the annual performance evaluation of the CEO and report to the Board the outcomes of this review;
- e) review with the CEO the outcomes of the annual performance evaluation of direct reports to the CEO and other persons whose activities may, in the Committee's opinion, affect the financial soundness of TH or the group and any other person specified by APRA;
- f) review the conditions of employment and annual remuneration of the CEO and report the outcomes of this review to the Board;
- g) review and approve the recommendations of the CEO relating to the conditions of employment and annual remuneration of the direct reports of the CEO, other persons whose activities may, in the Committee's opinion, affect the financial soundness of TH or the group and any other person specified by APRA;
- h) periodically review with the CEO, the TH organisational capability and succession plan for employees, managers and executives; and
- i) review people-related issues and policies generally.

## 6.5 Risk and Governance Committee

The Risk and Governance Committee has been established to assist the Board fulfil its statutory and fiduciary responsibilities by providing objective, non-executive oversight and review of the effectiveness of the implementation and operation of TH's risk and compliance management framework.

The Committee comprises of a minimum of three (3) and up to a maximum of five (5) non-executive members of the Board, a majority of whom are independent, with appropriate risk management and governance experience and understanding of the private health insurance industry. The Board determines the Chairperson of the Committee who is an independent non-executive member of the Board and not the Chairperson of the Board.

Within its scope of authority, the Committee reviews and makes recommendations to the Board on:

- a) TH's system of risk management and internal control including:
  - a. the effectiveness of TH's Risk Management Strategy and Framework, having regard to the organisation's risk management culture;



- b. the identification and assessment of the material risks facing TH considered against the organisation's risk appetite;
  - c. the organisation's Business Continuity and Disaster Recovery framework; and
  - d. the appropriate level of reporting on the performance and application of the risk management and internal control system throughout TH.;
- b) TH corporate governance policies and practices including:
- a. TH's systems and procedures for compliance with laws, regulations, internal policies and industry standards;
  - b. corporate governance, regulatory and compliance issues including the Private Health Insurance Act 2007, Private Health Insurance (Prudential Supervision) Act 2015, APRA Standards, Rules and Reporting Standards, Ministerial Private Health Insurance Rules, the Corporations Act and ASIC requirements;
  - c. disclosure of corporate governance policies and information to ensure effective communication of TH corporate governance practices; and
  - d. best practice developments in corporate governance.

## 6.6 Strategy Committee

The Strategy Committee has been established to assist the Board in fulfilling its responsibilities relating to the development and implementation of corporate strategy for TH. The Committee is comprised of a minimum of three (3) and up to a maximum of five (5) non-executive members of the Board. The principal responsibilities of the Committee are to:

- a) review strategy and recommend refinements, as necessary, to the Board to enhance the company's competitive position and long term performance;
- b) consider viable and likely opportunities and threats that are expected to be presented to the company as further rationalisation and change occurs in the PHI industry;
- c) inform the Board of any other strategic developments and make appropriate recommendations as required;
- d) work with management on the development and articulation of any strategic plan or initiative for recommendation to the Board; and
- e) assist management with recommendations regarding specific strategies such as new products or new markets.

## 7. Directors' and Officers' Insurance

- 7.1 TH maintains an insurance policy for the benefit of the Directors, the Company Secretary, officers and employees (as defined by the policy) insuring all insured persons against a liability (and not including any liabilities for which insurance is prohibited under s199B of the Corporations Act 2001). In accordance with commercial practice, the insurance policy prohibits the disclosure of

the terms of the policy including the nature of the liability insured against and the amount of the premiums.

## **8. Risk Management**

- 8.1 TH recognises effective risk management is good management practice, supports achieving organisational objectives and is an integral part of sound corporate governance. A detailed Risk Management Strategy and Framework based on ISO 31000:2018 has been developed and implemented by management and endorsed by the Board. This risk management framework is critical to the safety, reputation and sustainability of the operations of the business and to the ongoing viability of the health benefits fund operated by TH. The various risk management practices are undertaken to provide reasonable assurance to the Board of the effectiveness of the risk management framework within the overriding principle that business risk is a basic line management responsibility – all managers, not just the CEO, share that responsibility.
- 8.2 Both the Board and the Risk and Governance Committee receive frequent updates about the management of risk. At each Board meeting, the CEO updates the Board on developments in relation to the material business risks facing TH. The Board reviews and sets TH's risk appetite on an annual basis.

## **9. Monitoring and Systems**

- 9.1 The financial and operational performance of TH is monitored by the Board through regular management reporting of performance against budgets and other relevant key performance indicators. These budgets have been established by Management and approved by the Board. The External Auditor reviews and tests the system of internal controls, to the extent necessary, for an independent opinion on the financial statements at the end of the year.
- 9.2 Internal audit operates under its own Charter. The internal audit function provides an independent and objective review of the management of TH material risks and the implementation of effective controls designed to manage these material risks and provide reasonable assurance against material misstatement or loss by enabling the timely identification of problems that require the attention of management or the Board. These controls have been established by management and are reviewed by the internal audit, with the findings of reviews reported to the Audit and Finance Committee and the Board.

## **10. Fit and Proper Policy for Responsible Persons**

- 10.1 TH has developed and implemented a Fit and Proper Policy for Responsible Persons to assist in assessing the fitness and propriety of TH Responsible Persons (as defined in the policy). A person in a Responsible Person position must have the appropriate skills, experience and knowledge to perform that role ("competencies") and must act with the requisite character, diligence, honesty, integrity and judgment ("character"). A person will be considered fit and proper if he or she is assessed to meet substantially the assessment criteria set out in this policy and, if appropriate, in the position description for their role.

- 10.2 A person's fitness and propriety will be assessed against the assessment criteria listed in the policy, and any specific requirements set out in the position description for the Responsible Person role. In the case of Directors, the assessment criteria apply to the Directors collectively, rather than each individual Director necessarily meeting all the criteria, such that the Board as a whole meets the criteria.

## **11. Whistleblower Protection Policy**

- 11.1 TH has developed and implemented a Whistleblower Protection Policy that encourages and provides a framework for all TH employees (and others) to report any corrupt or improper conduct or any genuine matters of behaviours that they have reasonable ground to believe contravene TH policies or the law including:
- a) dishonest behaviour;
  - b) fraudulent activity;
  - c) corrupt practices;
  - d) illegal activities;
  - e) unethical activity including a breach of the TH Code of Conduct;
  - f) unsafe work practices;
  - g) intimidation, harassment, discrimination, disadvantage or adverse treatment in relation to a person's employment; and
  - h) any other conduct that may cause financial or non-financial loss to TH or be otherwise detrimental to the interest of TH.

## **12. Code of Conduct**

- 12.1 TH has adopted a Code of Conduct that applies to all directors, officers, employees, contactors and consultants to TH. This code sets out the ethical standards and rules of TH and provides a framework to guide compliance with legal and other obligations to stakeholders including:
- a) the avoidance of conflicts of interest or disclosure of conflicts of interest if one occurs;
  - b) acting appropriately in relation to the use of corporate opportunities and other benefits;
  - c) compliance with the Privacy Act 1988 (Cth);
  - d) the integrity and security of confidential information; and
  - e) dealing honestly and fairly with all parties; and
  - f) compliance with relevant laws and regulations.

### **13. Conflicts Management**

- 13.1 TH's Board is committed to ensuring a high standard of accountability and integrity in the way its business operates by demonstrating behaviour consistent with its values of member centric, collaboration and teamwork, empowerment and accountability, continuous improvement and innovation, integrity and social responsibility.
- 13.2 TH has a Conflicts of Interest Policy and Framework to assist it manage conflicts of interest across the organisation by:
- a) identifying and monitoring all actual and potential conflicts of interest;
  - b) avoiding conflicts of interest where possible;
  - c) managing a conflict of interest where it cannot be avoided; and
  - d) ensuring appropriate action is taken in the event of a conflict of interest arising.

### **14. Industry Code of Conduct**

- 14.1 TH is a signatory to the Private Health Industry Code of Conduct. The purpose of the Code is to promote informed relationships between Private Health Insurers, consumers and intermediaries, with the objective of enhancing service standards across the private health insurance industry.

Teachers Health has regularly submitted annual self-audits and has been assessed by the PHI Code of Conduct – Compliance Committee as being a compliant fund. Teachers Health is required to submit a certification yearly that states it is compliant with the code via a self-audit. Every three years, Teachers Health completes and submits a full self-audit. A full self-audit was completed in 2017 for the 2016/17 financial year.

### **15. Review of these guidelines**

- 15.1 The Board will review these Guidelines every two years and make the changes it considers should be made.