

Board Charter

1. Interpretation

1.1 In this charter:

“Act(s)” means in relation to the Trust, the Charitable Trusts Act 1957; and in relation to Subsidiaries, the Companies Act 1993;

“Board” means the Board of Trustees of the Trust and/or the Board of a Subsidiary as the context requires;

“Board Member” means a Trustee of the Trust Board and/or a Director of a Subsidiary as the context requires;

“Board Secretary” means the person normally exercising the functions of a Board secretary;

“Business” means the business of the Trust and/or its Subsidiaries;

“CEO” means the chief executive officer of the Trust;

“Chairperson” means the chair of the Board appointed pursuant to clause 3.3.1;

“Constitution” means the constitution of a Subsidiary;

“Delegated Authorities Policy” means the delegated authorities policy of the Trust or of a Subsidiary as the context requires;

“Deputy Chairperson” means the deputy chair of the Board, if appointed pursuant to clause 3.3.1;

“Management” means the management personnel of the Trust and its Subsidiaries;

“Objects” means the objects of the Trust as set out in the Second Schedule of the Trust Deed;

“Southern Cross Healthcare Group” or “Group” means the Trust together with the Southern Cross Medical Care Society and their respective subsidiaries;

“Subsidiaries” for the purposes of this charter means Southern Cross Hospitals Limited (SCHL) and any other wholly owned subsidiary from time to time (but with the exception of Southern Cross Benefits Limited which shall have its own Board charter);

“Trust” means the Southern Cross Health Trust;

“Trust Deed” means the Trust Deed establishing the Southern Cross Health Trust.

- 1.2 This charter is adopted subject to any overriding requirements of the Acts, the Constitutions and the Trust Deed.

2. Trust Purpose and Objects

2.1 General

- 2.1.1 The Trust is a Charitable Trust. The purpose of the Trust is to assist in the provision of medical facilities and services, and research in New Zealand, to supplement the schemes at present provided by the Government of New Zealand. The Trust will also undertake ancillary activities to provide funding streams to assist it to better achieve its charitable purpose. The Trust Deed sets out the Objects for which the Trust was established.
- 2.1.2 The Trust oversees the activities of the Subsidiaries.
- 2.1.3 The purpose of the Subsidiaries is to undertake activities so as to further the charitable purpose of the Trust.
- 2.1.4 The capital and resources of the Trust will be allocated to those assets and activities which will enable it to achieve the Trust's Objects.

3. Board Governance Process

3.1 Role of the Board

- 3.1.1 The role of the Trust Board is to manage the Trust fund to fulfil the charitable purposes and Objects for which the Trust was established.
- 3.1.2 The powers of the Board in relation to the Trust are limited to those set out in the Second Schedule of the Trust Deed. The powers and duties of the Board in relation to the Subsidiaries are governed by their respective Constitutions.
- 3.1.3 The Board will direct and supervise the management of the Business including, in particular:
- Ensuring that the Trust and Subsidiaries meet their statutory obligations under the Charities Act 2005;
 - Ensuring that the purpose and Objects of the Trust are clearly understood, and that the Trust and Subsidiaries have strategies, business plans and budgets in place for achieving these;
 - Establishing policies for strengthening the performance of the Trust, including ensuring that management is proactively seeking to build the Business through innovation, initiative, technology, new products and the development of its business capital;
 - Monitoring the performance of Management;
 - Appointing the CEO, setting and maintaining the terms of the CEO employment contract and, where necessary, terminating the CEO's employment with the Trust (in consultation with the Remuneration and Human Resources Committee);
 - Deciding on whatever steps are necessary to protect the Trust and Subsidiaries' financial position and the ability to meet debts and other obligations when they fall due, and ensuring that such steps are taken;
 - Ensuring that the Trust and Subsidiaries adopt and adhere to all Southern Cross Healthcare Group policies and strategies as they relate to the Trust and Subsidiaries;

- Ensuring that the Trust and Subsidiaries' financial statements are true and fair and otherwise conform with law;
 - Ensuring that the Board and Management adhere to high standards of ethics and corporate behaviour; and
 - Establishing the Trust's overall risk appetite and ensuring that the Trust and Subsidiaries have appropriate risk management policies and procedures in place including, but not limited to, health and safety and regulatory compliance.
- 3.1.4 In the normal course of events, day to day management of the Trust and oversight of its Subsidiaries is delegated to Management through the CEO, subject to the relevant Delegated Authorities Policy.
- 3.1.5 The Board will satisfy itself that the Trust and Subsidiaries are achieving the Trust's purpose and Objects in accordance with agreed strategies, business plans and budgets.

3.2 Board Procedures

- 3.2.1 The Board endorses the principles set out in the Code of Practice for Directors as approved and adopted by the Institute of Directors in New Zealand Inc. The conduct of Board Members will be consistent with their duties and responsibilities to the Trust and the Subsidiaries. The Board will be disciplined in carrying out its role, with the emphasis on governance, strategic issues and policy. Board Members will always act within any limitations imposed by the Board on its activities.
- 3.2.2 The operation of the Board shall be governed by the Rules set out in the Third Schedule of the Trust Deed.
- 3.2.3 Board Members will use their best endeavours to attend Board meetings and to prepare thoroughly. Board Members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Board Members unable to attend a meeting will advise the Chairperson at the earliest date possible.
- 3.2.4 Board discussions will be open and constructive, recognising that genuinely-held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chairperson will seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements the Board will decide the manner and timing of the publication of its decisions.
- 3.2.5 The Board has sole authority over its agenda and exercises this through the Chairperson. Any Board Member may, through the Chairperson, request the addition of an item to the agenda. The agenda will be set by the Chairperson in consultation with the CEO and the Board Secretary.
- 3.2.6 The Board meets formally on a regular scheduled basis and will hold additional meetings if required. At each scheduled meeting the Board will:
- Monitor the delivery of agreed strategies and business plans in relation to relevant performance indicators and budgets;
 - Receive a report from the CEO and Management, covering the operational and financial performance of the Trust and Subsidiaries, including health and safety;
 - Consider specific proposals for capital expenditure and acquisitions; and
 - Consider strategic issues and opportunities for the Trust and Subsidiaries.

In addition, the Board will, in consultation with any relevant Board committee, at intervals of not more than one year:

- Review the strategies and business plans for achieving the purpose and Objects of the Trust;
- Approve the annual budget;
- Approve the annual financial statements;
- Review the Board composition, structure and succession;
- Review the Business's audit requirements;
- Review the performance of, necessity for, and composition of Board committees;
- Review reports from management that the risk management framework is in place and operating effectively (at least annually) and on the highest priority business risks (quarterly); and
- Settle the following year's Board work plan.

In addition, the Trust Board will, at intervals of not more than one year:

- Review Board Members' remuneration, and
- Review the CEO's performance and remuneration.

- 3.2.7 Notice of all Board meetings will be issued by the Board Secretary (or his/her delegate) in accordance with the Trust Deed or the Constitution (as appropriate).
- 3.2.8 Board Members are entitled to have access, at all reasonable times, to all relevant Trust and Subsidiary information and to Management (via the CEO).
- 3.2.9 Board Members are expected to strictly observe the rules and policies applicable to the use and confidentiality of Trust, Subsidiary and Group information.
- 3.2.10 Board Members are expected to comply with all relevant laws, this charter and committee charters, the Code of Conduct and other Trust/Group policies as they apply to their role.
- 3.2.11 All Board Members must be eligible to hold office as a Trustee/Director/Officer pursuant to the Acts and the Charities Act, and must advise the Board immediately of any change of circumstances which could affect their eligibility.

3.3 Chairperson and Deputy Chairperson

- 3.3.1 Each year the Board will elect from among its members a Chairperson. The Board may also elect a Deputy Chairperson.
- 3.3.2 Both the Chairperson and Deputy Chairperson (if elected) will be non-executive Board Members and will be Chairperson and Deputy Chairperson of the Subsidiaries respectively. The Deputy Chairperson will deputise for the Chairperson in his or her absence or at his or her request.
- 3.3.3 The Chairperson is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in this Part 3.
- 3.3.4 The Chairperson is responsible for maintaining regular dialogue with the CEO over all material matters relating to the Business, and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.

- 3.3.5 The Chairperson will act as facilitator at meetings of the Board to ensure that no Board Member dominates discussion, that appropriate discussion takes place, and that relevant opinion among Board Members is forthcoming with a view to achieving logical and understandable outcomes.

3.4 Board committees

- 3.4.1 Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making.
- 3.4.2 Board committees will operate in accordance with a charter approved by the relevant Board. Any changes to a committee's charter must be approved by the relevant Board to have effect.
- 3.4.3 Board committees will observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- 3.4.4 Board members are entitled to receive notice of all committee meetings, copies of all papers and minutes, and may attend all committee meetings (in the case of the Remuneration and Human Resources Committee, papers and minutes will be available on request via the committee chair).
- 3.4.5 Board committees will only speak or act for the Board when so authorised. The authority conferred on a Board committee will not derogate from the authority delegated to the CEO.
- 3.4.6 The Trust Board has, or participates in, two standing committees in relation to the Business, namely Audit and Risk, and Remuneration and Human Resources. The purposes and membership of the standing committees are as follows:

The Audit and Risk Committee consists of not less than three Board Members appointed by the Board, at least one of whom shall have a financial or accounting background. The Board appoints a committee chair who shall not be the Board Chairperson. The objectives of the committee are to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to oversight of financial functions, audit functions and risk management.

The Remuneration and Human Resources Committee consists of not less than three members of the Trust and SCHL Boards, one of whom shall be the Boards' Chairperson. The committee chair shall be appointed by the Boards. The committee provides advice to the Trust and SCHL Boards on the remuneration, employment conditions, development and performance management of the CEO, and on other employment related matters in accordance with the Remuneration and Human Resources Committee charter.

- 3.4.7 The SCHL Board has one additional standing committee, in relation to the SCHL business only, namely Clinical Risk. The purpose and membership of this committee is as follows:

The Clinical Risk Committee consists of not less than three SCHL Board members, at least two of whom have a medical or clinical background. It assists the SCHL Board to meet its clinical governance obligations and is responsible for monitoring clinical risk to ensure adequate controls are in place.

- 3.4.8 Other committees may be formed for specific purposes and disbanded as required.

3.5 Board Composition and Tenure

- 3.5.1 The composition of the Board will reflect the duties, requirements and responsibilities it is to discharge and perform as set out in this charter, the Third Schedule of the Trust Deed and in the Constitutions. The majority of Trust Board and Subsidiary Board Members will be common.
- 3.5.2 The size of the Board will be such that the common purpose, involvement, participation, harmony and sense of responsibility of the Board Members are not jeopardised.

3.5.3 Subject to any limitations imposed by the Board and the Trust Deed/Constitutions, a Board Member will hold office until his or her resignation, retirement, disqualification or removal in accordance with the Trust Deed or relevant Constitution. It is expected that the maximum term of office of a Board Member is in the order of nine years.

3.6 Induction of New Board Members

3.6.1 On their first appointment, Board Members will have the benefit of an induction programme aimed at deepening their understanding of the Trust and its Subsidiaries and the environment and markets in which they operate. As part of the programme Board Members will receive essential Board, and Business information and will meet key Management.

3.6.2 Board Members are expected to keep themselves abreast of changes and trends in the Business environment and markets and to keep abreast of changes and trends in the economic, political, social, technological and regulatory climate generally.

3.7 Board Members' Remuneration

3.7.1 The Trust Board will determine the level of remuneration paid to Trust and Subsidiary Board Members.

3.8 Provision of Business or Professional Services by Board Members

3.8.1 Because a conflict of interest (actual or perceived) may be created, Board Members should not, generally, provide business or professional services of an ongoing nature to the Business.

3.8.2 Notwithstanding the general rule, the Business is at liberty for the purpose of a special assignment, to engage the services of any Board Member or a Board Member's organisation so long as:

- The terms of engagement are competitive and clearly recorded;
- All requirements for disclosure of the engagement are properly observed; and
- It is approved by the Chairperson or the chair of the Audit and Risk Committee and complies with the Trust Deed/Constitution.

3.9 Conflict of Interest

3.9.1 Board Members must disclose to the Board any actual or potential conflicts of interest which may exist or be thought to exist as soon as they become aware of the issue. The Board will maintain an Interests Register that will be updated by Board Members as necessary at each scheduled meeting of the Board.

3.9.2 If a known conflict exists, the Chairperson will take all reasonable steps to avoid any relevant paper(s) being circulated to the affected Board Member prior to any Board discussion taking place. The affected Board Member should excuse themselves from discussions or voting on matters in which they have an interest.

3.9.3 If a potential conflict situation exists the affected Board Member should offer to excuse themselves from any Board discussion, and the remaining Board Members will determine whether an actual conflict exists or not.

3.10 Other Board Appointments

3.10.1 Any Board Member is at liberty to accept other Board appointments so long as the appointment is not in conflict with the Business and does not detrimentally affect their performance as a Board Member. All such appointments must first be discussed with the Chairperson before being accepted.

3.11 Independent Professional Advice

- 3.11.1 Any Board Member is entitled to obtain independent professional advice relating to the affairs of the Business or to his or her other responsibilities as a Board Member.
- 3.11.2 If a Board Member considers such advice is necessary the Board Member shall first discuss it with the Chairperson and, having done so, shall be free to proceed.
- 3.11.3 Subject to the prior approval of the Chairperson, the cost of the advice will be reimbursed by the Business but the Board Member will ensure, so far as is practicable, that the cost is reasonable.

3.12 Board and Board Member Evaluations

- 3.12.1 Periodically, the Board will critically evaluate its own performance in relation to the achievement of the Trust's purpose and Objects, as well as its own processes and procedures to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role.
- 3.12.2 Periodically, the performance of individual Board Members will be evaluated by the Chairperson who then discusses the results with each Board Member. The Chairperson's own position is discussed with the Deputy Chairperson (if appointed) and/or the rest of the Board.
- 3.12.3 The Chairperson may co-opt or consult with such external advisors as he/she considers necessary to assist with Board and Board Member evaluations.

3.13 Indemnities and Insurance

- 3.13.1 The Trust and Subsidiaries will provide Board Members with indemnification, including effecting and paying the costs of insurance cover for current and former Board Members, to the fullest extent permitted by the Trust Deed/Constitution and the law.

3.14 The Board Secretary

- 3.14.1 The appointment of the Board Secretary is made on the recommendation of the Chair and must be approved by the Board.
- 3.14.2 The Board Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

3.15 Charter Review

This charter will be reviewed at least every three years by the Board.

4. Board-Management Relationship

4.1 Position of CEO

- 4.1.1 The Board will link the Trust's governance and management functions through the Chairperson and CEO as set out below.
- 4.1.2 All Board authority conferred on Management is delegated through the CEO so that the authority and accountability of Management is considered to be the authority and accountability of the CEO so far as the Board is concerned. The Board must agree to the levels of sub-delegation immediately below the CEO.

- 4.1.3 The Board and the CEO will agree the strategies, business plans and budgets directed at achieving the Trust's purpose and Objects.
- 4.1.4 The Board and CEO will agree annual performance measures under which the CEO is authorised to make any decision and take any action, subject to 4.3.
- 4.1.5 Between Board meetings the Chairperson maintains an informal link between the Board and the CEO, expects to be kept informed by the CEO on all important matters, and is available to the CEO to provide counsel and advice where appropriate.
- 4.1.6 Only decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of the Chairperson, Deputy Chairperson, individual Board Members, officers or committees are not binding except in those instances where specific authorisation is given by the Board.

4.2 Accountability of CEO to Board

- 4.2.1 The CEO is accountable to the Board for the achievement of the Trust's purpose and Objects in accordance with agreed strategies, business plans and budgets.

4.3 Management authority

- 4.3.1 The CEO and Management will act within the specific authorities delegated to them by the Board (or the CEO as applicable) in accordance with the relevant Delegated Authorities Policy, and will provide such assurances as the Board considers necessary to confirm that such authorities / delegations are being observed.