

Board charter

1. Interpretation

1.1 In this charter:

“Act” means The Friendly Societies and Credit Unions Act 1982;

“Board” means the Board of Directors of the Society (including the Trustees);

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

“Business” means the business of the Society, primarily providing cost effective health insurance to Members;

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

“Chairperson” means the Director who is appointed from time to time to chair the Board in accordance with the Rules;

“Directors” means the directors appointed in accordance with the Rules;

“Deputy Chairperson” means the Director who may be appointed from time to time to be deputy chair of the Board in accordance with the Rules;

“Management” means the management personnel of the Society;

“Members” means the members of the Society as defined by the Rules;

“Society” means The Southern Cross Medical Care Society;

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

“Rules” means the rules of The Southern Cross Medical Care Society;

“Trustees” means the Trustees of the Society appointed in accordance with the Rules.

1.2 This charter is adopted subject to any overriding requirements of the Act and the Rules.

2. Society purposes

2.1 General

2.1.1 The purposes of the Society are set out in the Rules (Rule 3.1).

2.1.2 The capital and resources of the Society will be allocated to those assets and activities which will enable it to achieve the Society’s purposes, in accordance with the Rules and the Act. .

3. Board governance process

3.1 Role of the Board

- 3.1.1 The Rules state that the administration, management and control of the Society shall be vested in the Board.
- 3.1.2 The role of the Board is to effectively represent and promote the interests of Members as a whole.
- 3.1.3 Having regard to its role, the Board will direct and supervise the management of the Business and affairs of the Society including, in particular:
- Ensuring that the Society's purposes are clearly understood, and that strategies, business plans and budgets are in place for achieving them (such strategies, business plans and budgets being expected to originate, in the first instance, from the joint deliberations of the Board and Management);
 - Establishing policies for strengthening the performance of the Society 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's employment contract and, where necessary, terminating the CEO's employment with the Society (in consultation with the Remuneration and Human Resources Committee);
 - Deciding on whatever steps are necessary to protect the Society's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
 - Ensuring that the Society's financial statements are true and fair and otherwise conform with law;
 - Ensuring that the Society adopts and adheres to all Southern Cross Healthcare Group policies and strategies as they relate to the Society;
 - Ensuring that the Board and Management adhere to high standards of ethics and corporate behaviour; and
 - Establishing the Society's capital adequacy targets, and approving and monitoring the Capital Management Plan; and
 - Establishing the Society's overall risk appetite and ensuring that the Society has 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 Society will be delegated to Management through the CEO, subject to the Delegated Authorities Policy.
- 3.1.5 The Board will satisfy itself that the Society is achieving the Society's purposes in accordance with agreed strategies, business plans and budgets.

3.2 The Board's relationship with Members and other stakeholders

- 3.2.1 The Board will use its best endeavours to familiarise itself with issues of concern to Members and other stakeholders, and will communicate with Members and/or other stakeholders as appropriate.

3.2.2 The Board will regularly evaluate economic, political, social, technological and legal issues and any other relevant external matters that may influence or affect the development of the Business or the interests of Members and/or stakeholders. If thought appropriate the Board will take outside expert advice on these matters.

3.3 Board procedures

3.3.1 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 Directors will be consistent with their duties and responsibilities to the Society and to Members. The Board will be disciplined in carrying out its role, with the emphasis on governance, strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities.

3.3.2 Directors will use their best endeavours to attend Board meetings and to prepare thoroughly. Directors 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. Directors unable to attend a meeting will advise the Chairperson at the earliest date possible.

3.3.3 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.

3.3.4 The Board has sole authority over its agenda and exercises this through the Chairperson. Any Director 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.

3.3.5 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, covering the operational and financial performance of the Society, including health and safety;
- Consider specific proposals for capital expenditure and acquisitions; and
- Consider major issues and opportunities for the Society.

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 Society's purposes;
- Approve the annual budget;
- Approve the annual financial statements;
- Review the Board composition, structure and succession;
- Review the Society's audit requirements;
- Review the performance of, necessity for, and composition of Board committees;
- Review the CEO's performance and remuneration;

- 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.
- 3.3.6 The Chairperson may, or the Board Secretary on a requisition signed by two Directors may, convene a meeting of the Board by giving not less than 2 days' written notice to every Director.
- 3.3.7 Notice of all Board meetings will be issued by the Board Secretary (or his/her delegate) in writing, and must include the date, time, and place of the meeting and the matters to be discussed.
- 3.3.8 The giving of a notice of meeting is waived if all Directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity or if all Directors entitled to receive notice of the meeting agree to the waiver.
- 3.3.9 Directors are entitled to have access, at all reasonable times, to all relevant Society information and to Management.
- 3.3.10 Directors are expected to strictly observe the rules and policies applicable to the use and confidentiality of Society and Group information.
- 3.3.11 Directors are expected to comply with all relevant laws, the Rules of the Society, Board and committee charters, the Code of Conduct and other Society/Group policies as they apply to their role.
- 3.3.12 All Directors must be eligible to hold office as a Director pursuant to Rule 7.1 and must advise the Board immediately of any change of circumstances which could affect their eligibility.

3.4 Chairperson and Deputy Chairperson

- 3.4.1 Each year the Board will appoint from among its Directors a Chairperson. The Board may also appoint a Deputy Chairperson.
- 3.4.2 Both the Chairperson and Deputy Chairperson (if so appointed) will be non-executive Directors. The Deputy Chairperson will deputise for the Chairperson in his or her absence or at his or her request.
- 3.4.3 The Chairperson is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in this Part 3.
- 3.4.4 The Chairperson is responsible for maintaining regular dialogue with the CEO over all material operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.
- 3.4.5 The Chairperson will act as facilitator at meetings of the Board to ensure that no Director dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming, with a view to achieving logical and understandable outcomes.

3.5 Board committees

- 3.5.1 Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making.
- 3.5.2 The composition of Board committees will reflect the duties and responsibilities the respective committee is to discharge.
- 3.5.3 Board committees will operate in accordance with a charter approved by the Board. Any changes to a committee's charter must be approved by the Board to have effect.

- 3.5.4 Board committees will observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- 3.5.5 Directors 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).
- 3.5.6 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.
- 3.5.7 The Board has or participates in four standing committees, namely Audit and Risk, Nomination, Remuneration and Human Resources, and Investment. Other committees are formed for specific purposes and disbanded as required. The purposes and membership of the standing committees are as follows:

The Audit and Risk Committee consists of not less than three Directors 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, internal and external audit functions, and risk management.

The Nomination Committee consists of not less than three Directors appointed by the Board, including the Chairperson (who will chair the committee). The committee assists and makes recommendations to the Board regarding: the Board's structure, size, composition, Director remuneration and succession; identifying candidates to fill Board vacancies; fit and proper assessments and non-compliance; other matters as required.

The Remuneration and Human Resources Committee consists of not less than three Directors appointed by the Board, one of whom shall be the Chairperson. The committee chair shall be appointed by the Board. The committee provides advice to the Board 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.

The Investment Committee consists of the three Trustees and may include one or more additional Directors appointed by the Board. The Board appoints the committee chair. The Investment Committee acts in an advisory capacity to the Board and the Trustees to assist them in fulfilling their respective responsibilities for the investment of the funds of the Society.

3.6 Board composition and tenure

- 3.6.1 The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representative of the interests of Members, and in setting and monitoring delivery of the Society's strategies, business plans and budgets.
- 3.6.2 The number and qualifications of Directors will comply with Rule 7.1.
- 3.6.3 The size of the Board will be such that the common purpose, involvement, participation, harmony and sense of responsibility of the Directors are not jeopardised.
- 3.6.4 It is expected that the maximum term of office of a Director is in the order of nine years, and the Board will not support a Director seeking re-election at an Annual General Meeting if, as at the date of that meeting, he or she will have been in office for nine years or longer since first being elected to office by the Members.

3.7 Induction of new Directors

- 3.7.1 On their first appointment, Directors will have the benefit of an induction programme aimed at deepening their understanding of the Society and the environment and markets in which the Society operates. As part of the programme Directors will receive copies of essential Board and Society information and will meet key Management.

3.7.2 Directors are expected to keep themselves abreast of changes and trends in the Business and in the Society's environment and markets and to keep abreast of changes and trends in the economic, political, social, technological and regulatory climate generally.

3.8 Directors' remuneration

3.8.1 The Board will determine the level of remuneration paid to Directors within any limitations imposed by the Rules and the Members.

3.9 Provision of business or professional services by Directors

3.9.1 Because a conflict of interest (actual or perceived) may be created, Directors should not, generally, provide business or professional services of an ongoing nature to the Society.

3.9.2 Notwithstanding the general rule, the Society is at liberty, for the purpose of a special assignment, to engage the services of any Director or a Director'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 Rules.

3.10 Conflict of interest

3.10.1 Directors 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 Directors as necessary at each scheduled meeting of the Board.

3.10.2 If a known conflict exists, the Chairperson will take all reasonable steps to avoid any relevant paper(s) being circulated to the affected Director prior to any Board discussion taking place. The affected Director should excuse themselves from discussion and shall not vote on matters in which they have an interest.

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

3.11 Other Board appointments

3.11.1 Any Director 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 Director. All such appointments must first be discussed with the Chairperson before being accepted.

3.12 Independent professional advice

3.12.1 Any Director is entitled to obtain independent professional advice relating to the affairs of the Society or to his or her other responsibilities as a Director.

3.12.2 If a Director considers such advice is necessary the Director shall first discuss it with the Chairperson and, having done so, shall be free to proceed.

3.12.3 Subject to the prior approval of the Chairperson, the cost of the advice will be reimbursed by the Society but the Director will ensure, so far as is practicable, that the cost is reasonable.

3.13 Board and Director evaluations

3.13.1 Periodically, the Board will critically evaluate its own performance in relation to the achievement of the Society's purposes and 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.

- 3.13.2 Periodically, the performance of individual Directors will be evaluated by the Chairperson who then discusses the results with each Director. The Chairperson's own position is discussed with the Deputy Chairperson (if appointed) and/or the rest of the Board.
- 3.13.3 The Chairperson may co-opt or consult with such external advisors as he/she considers necessary to assist with Board and Director evaluations.

3.14 Indemnities and insurance

- 3.14.1 The Society will provide Directors with indemnification, including effecting and paying the costs of insurance cover for current and former Directors, to the fullest extent permitted by the Rules and the law.

3.15 The Board Secretary

- 3.15.1 The appointment of the Board Secretary is made on the recommendation of the Chairperson and must be approved by the Board.
- 3.15.2 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.

3.16 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 Society's governance and management functions through the Chairperson and CEO.
- 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 CEO will agree the strategies, business plans and budgets directed at achieving the Society's purposes
- 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 Directors, 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 Society's purposes 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 Delegated Authorities Policy and will provide such assurances as the Board considers necessary to confirm that such authorities / delegations are being observed.