

# **MANCHESTER UNITY AUSTRALIA LTD**

**ACN 087 648 771**  
**(Manchester Unity)**

## **BOARD CHARTER**

**(In accordance with the APRA Governance Standard &  
PHIAC Governance Standard)**

Board approval date: April 2009

Board review dates: November 2009, March 2010, August 2010

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## Manchester Unity Board Charter

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### 1. INTRODUCTION

This Charter sets out the role and responsibilities of the Board of Manchester Unity Australia Ltd (**Manchester Unity**) in order to facilitate the sound and prudent management and governance of the operations of Manchester Unity by the Board in compliance with Prudential Standard LPS510 Governance (**APRA Governance Standard**) issued by the Australian Prudential Regulation Authority (APRA) and the Governance Standard issued by the Private Health Insurance Administration Council under the *Private Health Insurance (Insurer Obligations) Rules 2009* (**PHIAC Governance Standard**).<sup>1</sup>

### 2. BOARD COMPOSITION

#### 2.1 Number

The Board must have a minimum of five directors.<sup>2</sup> A majority of directors and all of senior management must be ordinarily resident in Australia.<sup>3</sup> The Board has determined, for the present, the number of directors shall not be more than ten, the majority of whom shall be non-executive<sup>4</sup>, independent directors.<sup>5</sup>

#### 2.2 Chairman

The Board Chairman shall be an independent director appointed by the Board and must not have been the Managing Director or Chief Executive Officer (or equivalent) of Manchester Unity at any time during the past three years.<sup>6</sup> However, if the position of Managing Director or Chief Executive Officer (or equivalent) is unexpectedly vacated, the chairperson may serve in the role for up to 90 days.<sup>7</sup>

#### 2.3 Board skills

The Board shall be comprised of directors with a broad range of expertise and a balance of skills and experience including business, legal, health insurance and finance.<sup>8</sup> In particular, the directors shall have the skills, knowledge and experience for Manchester Unity's businesses, including the private health insurance business, to:

2.3.1 understand collectively the risks to Manchester Unity; and

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<sup>1</sup> APRA Governance Standard – paragraph 5, PHIAC Governance Standard – paragraph 5(a)

<sup>2</sup> APRA Governance Standard – paragraph 14, PHIAC Governance Standard – paragraph 1(1)

<sup>3</sup> APRA Governance Standard – paragraphs 8 & 20, PHIAC Governance Standard – paragraph 3(1)

<sup>4</sup> PHIAC Governance Standard – paragraph 2, APRA governance standard – paragraph 17

<sup>5</sup> APRA Governance Standard – paragraph 15, PHIAC Governance Standard – paragraph 1(4)

<sup>6</sup> APRA Governance Standard – paragraph 16 and 18, PHIAC Governance Standard – paragraph 2(2)

<sup>7</sup> PHIAC Governance Standard - paragraph 2(4) & APRA governance standard – paragraph 18

<sup>8</sup> APRA Governance Standard – paragraph 7

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- 2.3.2 understand the Manchester Unity's legal and prudential obligations; and
- 2.3.3 oversee effectively the management of Manchester Unity; and
- 2.3.4 contribute effectively to the board's deliberations and processes.<sup>9</sup>

### 2.4 Independence

As prescribed by the Standard, directors shall be considered independent as long as they do not have any relationship or association with Manchester Unity that may interfere with the exercise of their independent judgment.<sup>10</sup>

### 2.5 Criteria for Independence

The Company's Board has determined the criteria for deciding whether a director is independent. An independent director is a non-executive director who is free from any business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or adviser – that could materially interfere with the exercise of their independent judgement.<sup>11</sup> The circumstances that will not meet this test of independence include, but are not limited to, those set out below.

A director is not independent if the director:<sup>12</sup>

- 2.5.1 is a substantial shareholder of Manchester Unity or an officer of, or otherwise associated directly with, a substantial shareholder of Manchester Unity except where the director is an independent director of the parent company<sup>13</sup>;
- 2.5.2 is employed, or has previously been employed in an executive capacity by Manchester Unity or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- 2.5.3 has within the last three years been a principal of a material professional adviser or a material consultant to Manchester Unity or another group member, or an employee materially associated with the service provided;
- 2.5.4 is a material supplier or customer of Manchester Unity or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- 2.5.5 has a material contractual relationship with Manchester Unity or another group member other than as a director.

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<sup>9</sup> PHIAC Governance Standard - paragraph 1 (5) & APRA governance standard – paragraph 7

<sup>10</sup> APRA Governance Standard – paragraph 11, PHIAC Governance Standard, definition of “independent director”

<sup>11</sup> APRA Governance Standard – paragraph 11, PHIAC Governance Standard, definition of “independent director”

<sup>12</sup> APRA governance standard – Attachment A

<sup>13</sup> APRA Governance – paragraph 27 & PHIAC Governance – paragraph 1(7) – Independent Directors on the Board of the parent company or its other subsidiaries can also sit as independent directors on the Board of the life company.

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For the purposes of paragraphs 2.5.3, 2.5.4 and 2.5.5, the Board has determined a relationship is material where the billings for or revenues from goods or services provided to Manchester Unity, during the past three years by the advisor, consultant, supplier or customer account for more than 5% of the gross revenue of the advisor, consultant, supplier or customer or its corporate group.<sup>14</sup>

The Board has also determined that a director shall not cease to be independent only because that director is a director of:

- 2.5.6 a parent company of Manchester Unity; or
- 2.5.7 another subsidiary of HCF.<sup>15</sup>

### 2.6 Review of Independence

The Board shall review and make an assessment of the independence of each director annually.

### 2.7 Review of Performance

2.7.1 The Board shall assess its own collective performance and that of its committees and individual directors against its objectives and responsibilities on an annual basis<sup>16</sup> and may engage external consultants to facilitate Board and director reviews.

2.7.2 In assessing the performance of an individual director, the Board shall amongst other things consider:

- whether a director demonstrates the required expertise for their role;
- attendance and participation at board meetings; and
- their contribution to Board deliberations and the overall direction of Manchester Unity.<sup>17</sup>

## 3. OBJECTIVES AND RESPONSIBILITIES

**3.1** The Board is responsible for the overall governance of Manchester Unity including ensuring the continuity of the business and the long-term viability of the organisation.

The Board's specific objectives and responsibilities include:

- Setting and monitoring the strategic direction, performance objectives, risk management strategy and policies for Manchester Unity;

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<sup>14</sup> HCF Constitution – Schedule 5 – paragraph 5

<sup>15</sup> PHIAC Governance Standard paragraph 1 (7)

<sup>16</sup> PHIAC Governance Standard paragraph 8 & APRA Governance Standard – paragraph 77

<sup>17</sup> PHIAC Governance Standard paragraph 8

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- Reviewing, ratifying and overseeing the implementation of systems of risk management, regulatory compliance, internal control and codes of conduct;
- Allocating appropriate human and financial resources;
- Approving acquisitions and divestitures;
- Approving capital expenditure and monitoring the progress of capital projects;
- Periodically review the potential impact of the operations of other entities in the HCF Group on Manchester Unity;<sup>18</sup>
- With the agreement of the parent company, appointing and removing the Managing Director;
- With the agreement of the parent company, appointing and removing external and internal auditors;
- Reviewing the financial statements and the Financial Condition Reports of Manchester Unity;
- Monitoring senior management's performance against agreed criteria including for relevant senior management, the effectiveness of risk controls;
- Ensuring policyholders' interests are safeguarded;
- Ensuring solvency and capital adequacy standards set by APRA and PHIAC are maintained;
- Ensuring the integrity of financial statements;
- In consultation with and subject to the approval of the parent company, selecting fit and proper persons to act as directors and other persons to hold responsible persons positions, including filling any casual vacancy;
- Making key decisions in a timely manner;
- Ensuring HCF group policies and functions utilised by the company give appropriate regard to the company's business and its specific requirements;<sup>19</sup>
- Ensuring that there is regular and appropriate sharing of information and ideas between the board of Manchester Unity and the board of its parent company, particularly with respect to the key performance indicators of both companies.<sup>20</sup>

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<sup>18</sup> APRA Governance Standard, paragraph 28 & PHIAC Governance Standard paragraph 5

<sup>19</sup> APRA Governance Standard - paragraph 28

<sup>20</sup> PHIAC Governance standard paragraph 5 (d)

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### 3.2 Delegation

The Board may delegate its authority to a person or Committee.<sup>21</sup> Such delegation must be in clearly set out and documented in writing.<sup>22</sup> The Board must:

- a) ensure there are procedures for it to monitor the exercise of delegations; and
- b) not abrogate its responsibilities through the use of delegations.<sup>23</sup>

## 4. MEETINGS

### 4.1 Frequency

The Board shall meet on at least seven occasions throughout each year at approximately monthly or two monthly intervals. Additional Board meetings may be convened as special meetings during the year, when required.

### 4.2 Quorum

The quorum for a Board meeting is a majority of directors.<sup>24</sup> The majority of directors present, and eligible to vote at all Board meetings, must be independent directors.<sup>25</sup>

### 4.3 Formalities

Meetings shall be formally structured, held in appropriate facilities with timely notice, agendas, supporting papers and minutes of prior meetings distributed sufficiently in advance.<sup>26</sup>

### 4.4 Meetings in absence of Management

The independent directors shall meet in the absence of executive directors and management on at least two occasions each year.<sup>27</sup>

The Board shall provide the Auditor and the Appointed Actuary with the opportunity to raise matters directly with the Board.<sup>28</sup>

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<sup>21</sup> PHIAC Governance Standard - paragraph 6(1) & APRA Governance Standard paragraph 6

<sup>22</sup> PHIAC Governance Standard - paragraph 6(2) & APRA Governance Standard paragraph 6

<sup>23</sup> PHIAC Governance Standard - paragraph 6(3) & APRA Governance Standard paragraph 6

<sup>24</sup> PHIAC Governance Standard – paragraph 5(b)

<sup>25</sup> APRA Governance Standard – paragraph 15 & PHIAC Governance Standard – paragraph 1

<sup>26</sup> PHIAC Governance Standard – paragraph 5(b)

<sup>27</sup> PHIAC Governance Standard – paragraph 5(b)

<sup>28</sup> PHIAC Governance Standard - subparagraph 10(8)(b) & APRA governance standard – paragraph 10

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### 4.5 Code of Conduct

Directors shall observe the HCF Group Code of Conduct that sets out the ethical behaviour and professional conduct expected from all HCF colleagues and business partners including dealings with:

- Customers and consumers
- Suppliers
- Advisors and regulators
- Competitors
- The community
- Employees

No prospective, current, or former officer, employee or contractor (including professional service provider) of the company, shall be constrained or impeded, whether by confidentiality clauses or other means, from disclosing information to APRA, from discussing issues with APRA of relevance to the management and prudential supervision of Manchester Unity, or from providing documents under their control to APRA, that may be relevant in the context of the management or prudential supervision of the company.<sup>29</sup>

Such persons are not to be constrained or impeded from providing information to auditors, the Appointed Actuary and others, who have statutory responsibilities in relation to the company.

### 4.6 Time commitment

Each director shall ensure he/she devotes sufficient time to properly perform his/her duties to Manchester Unity, and to assist the Board in carrying out its responsibilities. Each director will be required to inform the Board of any appointment to another Board position, and to confirm annually to the Board, that the director is able to devote sufficient time and attention to the Board for the coming year.

Directors and senior management must be available to meet with APRA on request.<sup>30</sup>

### 4.7 Induction training

Newly appointed/elected directors shall undertake the informal induction training provided by Manchester Unity including the extensive reading of relevant material, presentations by managers and visits to worksites if required.

### 4.8 Conflict of interest

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<sup>29</sup> APRA Governance Standard – paragraph 79

<sup>30</sup> APRA Governance Standard – paragraphs 9 & 63

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In accordance with Manchester Unity's constitution, the *Corporations Act 2001* and current best practice, directors shall disclose to the Board details of transactions or relationships that may create a conflict of interest.

A director shall not be present during, or participate in discussions or voting on matters put before the Board in which he/she may have a material personal interest unless the other members of the Board otherwise decide.

Directors shall follow the Board's procedures to assist them in disclosing potential conflicts of interest.

### **4.9 Independent professional advice**

Each director shall have the right to seek independent professional advice in relation to his/her role or responsibilities as a director of Manchester Unity, at Manchester Unity's expense, with the prior approval of the Chairman, which shall not be unreasonably withheld.

## **5. BOARD COMMITTEES**

- 5.1** The Board shall establish committees to assist it in discharging its responsibilities. The committees shall have written charters approved by the Board. The Board shall monitor the committees' performance and exercise of delegated authority on a regular basis.<sup>31</sup>
- 5.2** The Audit, Risk and Compliance Committee shall be established and have responsibilities and functions in accordance with the provisions of the *Life Insurance Act 1995*, the APRA Governance Standard<sup>32</sup> and the PHIAC Governance Standard<sup>33</sup>.
- 5.3** A management Investment Committee shall be established and have responsibility to monitor and review, on behalf of the Board:
- 5.3.1 the performance and effectiveness of the Board approved investment policy, strategy and rules of Manchester Unity in achieving optimum return relative to risk in relation to the management fund (excluding the retirement and aged care assets), the friendly society benefit funds and the health benefit fund;
  - 5.3.2 that reasonable care and due diligence is being used in the investment, administration and management of the assets of the benefit funds of Manchester Unity<sup>34</sup> to ensure:
    - (a) compliance with Part 4 of the *Life Insurance Act 1995*; and

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<sup>31</sup> PHIAC Governance Standard - paragraph 6

<sup>32</sup> APRA Governance standard – paragraphs 52-65

<sup>33</sup> PHIAC Governance Standard - paragraph 10

<sup>34</sup> Sections 32 and 48 of the *Life Insurance Act 1995* (Cth)

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(b) priority is given to the interests of owners and prospective owners of policies referable to the benefit fund; and

5.3.3 that in the event of a conflict between the interests of owners and prospective owners of relevant policies and interests of Manchester Unity's shareholder, Manchester Unity gives priority to the interests of owners and prospective owners of policies over the interests of shareholders<sup>35</sup>.

**5.4** The Board shall review the responsibilities, composition and performance of the Audit, Risk and Compliance Committee and the Investment Committees annually.

## **6. BOARD RENEWAL<sup>36</sup>**

**6.1** As soon as practicable after the adoption of this Charter, the Board shall conduct in consultation with its parent company, a review and assessment of the composition of the Board, with a view to making such changes to its composition as considered appropriate and necessary to ensure its continued compliance with this policy<sup>37</sup>, independence, expertise, independent thinking<sup>38</sup>, openness to new ideas<sup>39</sup> and responsiveness to change.

**6.2** When conducting its review the Board shall give consideration to whether directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the company.<sup>40</sup>

## **7. REVIEW OF CHARTER**

**7.1** The Board shall review this Charter annually. As part of its review the Board will ensure that the Charter complies with the APRA Governance Standard and the PHIAC Governance Standard and current best practice governance principles.

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<sup>35</sup> Section 48 of the *Life Insurance Act 1995* (Cth)

<sup>36</sup> PHIAC Governance Standard – paragraph 9 & APRA governance standard – paragraph 78

<sup>37</sup> PHIAC Governance Standard - paragraph 9(b)

<sup>38</sup> PHIAC Governance Standard - paragraph 9(a) & APRA governance standard – paragraph 78

<sup>39</sup> PHIAC Governance Standard - paragraph 9(a) & APRA governance standard – paragraph 78

<sup>40</sup> PHIAC Governance Standard - paragraph 9(c) & APRA governance standard – paragraph 78