



Risk Committee Charter

CBHS Health Fund Limited
(CBHS)

November 2019

Risk Committee Charter

The Charter of CBHS' Risk Committee (**Committee**) set out in this document was approved by the Board of Directors of CBHS Health Fund Limited (**Board**).

1. Purpose

The purpose of this Risk Committee Charter is to set out the authority delegated to the Committee by the Board and to set out the role, responsibilities, membership and operation of the Committee.

2. Establishment

The Australian Prudential Regulatory Authority's (**APRA**) Prudential Standard CPS 510 Governance mandates that private health insurers must have a separate Board Risk Committee. The Risk Committee is established by resolution of the Board.

3. Role

The purpose of the Committee is to assist the Board in fulfilling its responsibilities by providing an objective non-executive oversight of the implementation and operation of CBHS' risk management framework, compliance with APRA's Prudential Standard CPS 220 Risk Management and to ensure that financial and non-financial risks are clearly identified and well managed.

4. Authority

The Committee has the authority and power to exercise the role and responsibilities set out in this Charter and under any separate resolutions approved by the Board from time to time.

5. Access to Information and Advisers

The Committee has direct and unlimited access to all resources necessary to discharge its responsibilities. This includes:

- a. requiring senior management or others to attend meetings and to provide any information or advice that the Committee requires;
- b. accessing CBHS documents and records;
- c. obtaining the advice of special or independent advisers and accountants or other experts without seeking approval of the Board or management;
- d. having free and unfettered access at all times to senior management, risk and financial control personnel and other parties (internal and external); and
- e. the authority to conduct or direct any investigation required to fulfil its responsibilities including engaging such external advisers as it deems necessary to carry out its functions.

6. Responsibilities

The Committee is responsible for:

6.1 Risk Culture

- a. the overall policy direction of the Risk and Compliance functions;
- b. the attitude and appetite for risk within CBHS and the extent to which the risk culture supports CBHS' ability to operate consistently within its risk appetite; and
- c. any desirable changes to risk culture to facilitate a strong risk culture being maintained.

6.2 Risk Management Framework

- a. overseeing the implementation and operation of the risk management framework and internal compliance and control systems to ensure effective management of financial and non-financial risks (including but not limited to governance risks and reputational risks);
- b. ensuring that the risk management framework is reviewed at least annually by internal or external audit to ascertain whether it:
 - (i) has been designed to effectively manage material business risks; and
 - (ii) is operating effectively in all material aspects.
- c. monitoring the effectiveness of CBHS' risk management framework;
- d. monitoring engagement with CBHS' regulators;
- e. considering the results of an independent comprehensive review of the appropriateness, effectiveness and adequacy of the risk management framework conducted periodically; and
- f. making recommendations to the Board for approval on CBHS' overall current and future risk management strategy and risk appetite statement.

6.3 Risk Profile and Appetite

- a. advising the Board on CBHS' overall current and future risk appetite and recommending CBHS' risk appetite statement to the Board for approval;
- b. oversight of CBHS' current and future risk position relative to its risk appetite and capital strength;
- c. monitoring CBHS' risk profile and material risk categories for consistency with the risk appetite statement.

6.4 Risk Management

- a. overseeing senior management's implementation of CBHS' risk management strategy including senior management's monitoring and managing of CBHS' risks, consistent with strategic objectives, risk appetite statement and key policies;
- b. overseeing stress testing of CBHS' key risks including both scenario analysis and sensitivity analysis;
- c. constructively challenge senior management's proposals and decisions on all material aspects of risk management arising from CBHS' activities;
- d. considering reports concerning material risk events and incidents and overseeing management's process for ensuring that the issues identified are addressed in an appropriate and timely manner;
- e. referring to the People and Remuneration Committee, Audit Committee and Asset & Liability Committee any matters that have come to the attention of the Committee and that are relevant to those Committees, including in relation to the People and Remuneration Committee, the linkage between risk and remuneration;
- f. approving material risk management and compliance policies which support the risk management framework;
- g. ensuring that CBHS has in place appropriate systems and procedures to ensure compliance with all relevant laws, regulations, codes and standards;
- h. reviewing anti-bribery and anti-corruption, fraud control and whistleblower policies and monitoring CBHS' process for ensuring employees are aware of these policies and dealing with the matters raised by employees under these policies;
- i. monitoring and reviewing whether the operational structure of CBHS facilitates effective risk management and there are sufficient resources dedicated to risk management;
- j. recommending the annual APRA risk management declaration to the Board for approval, as necessary;
- k. reviewing any material insurance matters including, as appropriate, insurance programs and deeds of indemnity, insurance and access;
- l. reviewing the Group Outsourcing Policy and the material outsourcing arrangements and associated risks and making recommendations to the Board for approval and consideration;
- m. overseeing the quality of Business Continuity Management; and

- n. ensuring appropriate disclosures are made regarding any material exposure CBHS has to economic, environmental and social sustainability risks.

6.5 Chief Risk Officer (CRO)

The Committee is responsible for:

- a. having oversight of, and providing prior endorsement of, the appointment and replacement of the CRO;
- b. reviewing the performance of and setting the objectives for the CRO;
- c. ensuring the CRO has unfettered access to the Board and the Committees; and
- d. ensuring the CRO attends all relevant sections of meetings of the Committee.

7. Membership

7.1 Composition and Size

The Committee is appointed by the Board and shall consist of at least three members:

- a. all of whom must be non-executive directors; and
- b. who should have risk management expertise and a sufficient understanding of the health insurance industry so as to discharge the Committee's mandate effectively.

7.2 Chair

The Chair of the Committee must be an independent director¹ and must not be the Chair of the Board. The Chair of the Board can be a member of the Committee.

7.3 Secretary

The Group Company Secretary is the secretary to the Committee, however, either the Group Company Secretary or the Assistant Company Secretary may attend the meetings of the Committee.

8. Meetings

8.1 Frequency and Scheduling

The Committee meetings will be conducted in accordance with the provisions of CBHS' Constitution and APRA's Prudential Standards. The Committee will meet a minimum of four times each year or otherwise as frequently as required to undertake its role effectively.

Meetings will be scheduled for an upcoming calendar year towards the end of each calendar year. Unscheduled meetings may be convened by the Chair where required (including using technology as permitted by the Constitution).

In cases where circumstances make it impractical to convene and hold a meeting, the Committee may pass resolutions by each member signing a circular resolution.

8.2 Quorum

Two committee members constitute a quorum for meetings of the Committee.

8.3 Third Party Attendances

Third parties may attend meetings by invitation.

8.4 Minutes and Reporting

The minutes of Committee meetings must be circulated at the next Board meeting immediately following the Committee meeting (unless, because of time constraints, this is not practicable, and the minutes can only be reasonably circulated at a later Board meeting).

¹ A reference to independent director is a reference to APRA's Prudential Standard CPS 510 Governance.

The Committee through its Chair will:

- a. report to the Board on its activities at the next Board meeting on a regular basis and no later than the next Board meeting following a Committee meeting; and
- b. ensure that the Board is aware of material matters considered by the Committee.

9. Performance

The Committee will ensure that its performance against the Charter is formally reviewed at least annually in accordance with processes established by the Board and the Group Company Secretary will report the findings of that review to the Committee. The Chair of the Committee will report the findings of that review to the Chair of the Board.

10. Review

This Charter will be reviewed by the Committee annually, including reviewing and evaluating the effectiveness of the Committee in meeting the individual needs and requirements of CBHS.

Proposed changes to the Charter will be submitted to the Board for approval. The Committee may approve non-material or administrative amendments to this Charter and report these to the Board.

This Charter is to be made available on the CBHS website at www.cbhs.com.au

11. Version

Version Number	Date Approved	Approved By	Changes
V1.0	23.05.2019 30.05.2019	Audit & Risk Committee CBHS Board	
V2.0	18.11.2019 12.12.2019	Audit & Risk Committee CBHS Board	No changes