



Risk Committee Charter

CBHS Health Fund Limited
(**CBHS**)

February 2024

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**) on 23 February 2024.

1. Purpose

The purpose of this Risk Committee Charter (**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 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 Executive Management¹ 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 Executive Management;
- d. having free and unfettered access at all times to Executive 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:
 - i. reviewed at least annually by internal or external audit to ascertain whether it:
 - A. has been designed to effectively manage material business risks; and
 - B. is operating effectively in all material aspects.

¹ Executive Management refers to the Group Chief Executive Officer & Executive Director and their direct executive reports.

- ii. subject to any other external reviews required in accordance with APRA Prudential Standard CPS 220 Risk Management.
- c. monitoring the effectiveness of CBHS' risk management framework;
- d. monitoring engagement with CBHS' regulators;
- e. considering reports from Executive Management on new and emerging sources of risk and the risk controls and mitigation measures that Executive Management has put in place to deal with those risks;
- f. liaise with the Audit Committee as appropriate to obtain reports from internal or external auditors on the control environment as far as is relevant to the assessment of the effectiveness of the risk management framework;
- g. considering the results of an independent comprehensive review of the appropriateness, effectiveness and adequacy of the risk management framework conducted periodically by appropriately skilled and functionally independent specialists (at least every three years); and
- h. 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; and
- c. monitoring CBHS' risk profile and material risk categories for consistency with the risk appetite statement.

6.4 Risk Management

- a. overseeing Executive Management's implementation of CBHS' risk management strategy including Executive 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 Executive 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 all 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 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. assessing supporting documentation and recommending the annual APRA risk management declaration to the Board for approval, as necessary;
- k. noting any material insurance matters including, as appropriate, insurance programs and approving 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. reviewing the Recovery and Exit Plan and making recommendations to the Board for approval and consideration;
- n. overseeing the quality of Business Continuity Management; and
- o. ensuring appropriate disclosures are made regarding any material exposure CBHS has to economic, environmental and social sustainability risks.

6.5 Compliance

- a. evaluate CBHS' exposure to fraud and review reports on any major frauds, reportable compliance breaches and material risk incidents and monitoring any actions taken such that any incidents or breaches identified are promptly rectified;
- b. monitor the appropriateness of the internal control framework (in particular controls relating to administration, operations, financial reporting, and quality and integrity of personnel) and ensure that where any major deficiencies or breakdown in controls or procedures are identified, appropriate and prompt action is taken by Executive Management;
- c. monitor the compliance framework including systems, policies and strategies, to ensure consistency with legal requirements and CBHS policies; and
- d. identify, monitor and direct any special projects or investigations.

6.6 Chief Risk Officer (CRO)

- a. having oversight of, and providing prior endorsement of, the appointment or removal of the CRO;
- b. providing input into setting the objectives and reviewing the performance of 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.

6.7 Internal Capital Adequacy Assessment Process (ICAAP)

- a. reviewing the adequacy of the target capital model set out in the ICAAP;
- b. providing oversight of the implementation of changes to capital requirements;
- c. providing oversight of independent reviews of the ICAAP;
- d. monitoring risk appetite indicators and overseeing the current and future risk position relative to the Board's risk appetite and the current and projected level of capital;
- e. reviewing reporting on triggers for the Recovery Plan, ensuring these are appropriately integrated with ICAAP; and
- f. providing input to and oversight of stress and scenario testing.

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.

A majority of the members of the Committee must be independent.²

7.2 Chair

The Chair of the Committee must be an independent director² 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 Deputy Company Secretary can 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 that contains a statement that they are in favour of the resolution set out in the document. Separate copies of a document may be used for signing by the Committee members if the wording of the resolution and statement is identical in each copy. The resolution is passed when the last Committee member signs. For avoidance of any doubt a

² A reference to independent director is a reference to APRA's Prudential Standard CPS 510 Governance.

circular resolution may be passed by email or by using any other electronic means and will be treated as a document in writing signed by that Committee member.

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).

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 every 3 years, including reviewing and evaluating the effectiveness of the Committee in meeting the individual needs and requirements of CBHS.

Material 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.

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
V3.0	27.11.2020 11.12.2020	Risk Committee CBHS Board	Minor change to 7.3
V4.0	23.02.2022 24.02.2022	Risk Committee CBHS Board	Amendments made to 6.2 Addition of new 6.5 Change to review every 3 years Typographical changes
V5.0	20.02.2024 23.02.2024	Risk Committee CBHS Board	Minor changes to 1, 2, 6.2, 6.4, 6.5, 6.6, 7.1, 8.1 and 8.4 Addition of new 6.7