

Fit and Proper Policy

(Approved by the Board 13 June 2024)

1. Purpose

The Reserve Bank Health Society (RBHS) Fit and Proper Policy assists it in prudently managing the risk that Responsible Persons are not fit and proper. The policy forms part of RBHS' broader risk management framework, with linkages to the Constitution, Governance Policy, and Actuarial Review Framework. This policy also complies with the *APRA Prudential Standard CPS520 - Fit & Proper*. This policy should be read in conjunction with Clauses 7 & 21.2 and section 11 of the *Peoplecare Management Services Agreement*, and Section 3 of the *Governance Deed* appended to that agreement, which contain requirements for the role of Chief Executive Officer and other personnel that may relate to a fit and proper assessment for those roles.

2. Risks Covered by this Policy

This policy addresses the risk that a Responsible Person may not actually be fit and proper or, be deemed to be not fit and proper. The requirements under the policy are a key risk mitigation for:

- Ensuring all Responsible Persons currently employed, contracted (including through outsourcing arrangements), or otherwise engaged by RBHS as a Responsible Person, including Directors are fit and proper.
- Preventing the recruitment, contracting, or appointment of Responsible Persons who are not, or are deemed to be not, fit and proper.

The requirements under this policy represent mitigation controls against governance, legislative and reputational risks.

3. Responsible Persons

The Responsible Persons of RBHS are those whose conduct is most likely to have a significant impact on sound and prudent governance or management. RBHS' Responsible Person positions comprise:

- Directors of Reserve Bank Health Society Limited.
- The Chief Executive Officer, Chief Risk Officer and the Chief Financial Officer and Company Secretary, whether directly employed, contracted, or otherwise assigned through an outsourcing arrangement.

- Any other senior executives, consultants or contractors who may be engaged to perform roles that have significant influence over the RBHS reputation, business decision making, financial stability or performance, or the risk profile of the RBHS.
- The Appointed Actuary.
- The Appointed Auditor.

In addition to the above defined roles, for the purposes of this policy, the nature of the role and functions of a person, rather than the person's title, will determine whether the person is a Responsible Person.

All persons affected by this policy are to notify RBHS when, if ever, they become in breach of these requirements. All Responsible Persons (including through outsourced or contracted arrangements) are expected to comply with the guidelines for conduct and behaviours expressed within this policy.

4. Policy

RBHS will assess the fitness and propriety of all Responsible Persons, or incumbents to Responsible Person roles:

- Before their employment, advancement, engagement by contract, assignment or appointment to the role of a Responsible Person at RBHS.
- Annually thereafter as described in this policy.
- Responsible persons will be required to sign a Fit and Proper Declaration and a Conflict-of-Interest Declaration. These declarations are signed upon taking up a role that is deemed a Responsible person role, and then on an annual basis.
- Responsible persons will be required to undertake a full suite of fit and proper checks upon taking up a role that is deemed a Responsible person role, and then on a three yearly basis. Any responsible person or incumbent for appointment or election to a Responsible Person position must disclose any change of circumstances that may affect their Fit and Proper status. Notification must occur within seven days.
- Any Responsible Person or incumbent for appointment or election to a Responsible Person position who is not fit and proper or who becomes not fit and proper, may not be appointed to that position or continue to hold that position. This policy applies without exception.
- Persons who may be assigned to Responsible Person positions through the Management Services Agreement with Peoplecare can only be so assigned after approval by the Board.

5. Fit and Proper Assessment

Directors

The Board will review the selection and assessment of the fitness and propriety of candidates, including current Directors, who are incumbents for election or appointment as a Director.

The Board in assessing the fitness and propriety will consider whether the person possesses the competence, character, diligence, honesty, integrity, and judgement to perform in the position. This may include police, criminal record, APRA, ASIC, professional organisation, or any other checks that the Board considers warranted in order to assess fitness and propriety.

A statement will be required from nominees for Director and incumbent Directors seeking appointment to ensure compliance with this policy. A candidate for Director or an incumbent Director who fails to meet the requirements of this policy will be informed of their ineligibility to be appointed or continue to serve as a Director.

An annual assessment of fitness and propriety of each director will be carried out by the Chair of the Board. Nominees for Director and incumbent Directors will be required to:

- Disclose information that may be relevant to a fit and proper assessment to RBHS.
- Consent to the disclosure to APRA or ASIC of any information that RBHS may be required to provide under the *Private Health Insurance Act*, or the *Corporations Act*.
- Consent to the collection and use of any information required by RBHS to comply with the Fit and Proper Policy.

Chief Executive Officer (CEO) and Other Responsible Persons

The Board will assess the fitness and propriety of the CEO, CRO and CFO/Company Secretary candidates prior to their appointment or assignment. The Board will seek assurances of fitness and propriety of candidates for these positions from Peoplecare, including evidence of such. The Board at its discretion may also independently assess the fitness and propriety of key executives using police, criminal record, APRA, ASIC, professional organisation, or any other checks that the Board considers warranted.

The Board will also assess fitness and propriety of the incumbent CEO, CRO, CFO and other responsible persons on an annual basis, and if they fail to meet the requirements of this policy, they will be informed by the Chair of the Board following endorsement by the Board, and will be unable to continue in the position of CEO or other Responsible Person of the company. The Board will then liaise with Peoplecare to assign a candidate who meets the RBHS Fit and Proper requirements.

Interim appointment

A person may be appointed to a Responsible Person position without a full fit and proper assessment for a period of up to 90 days but cannot continue in that position on a permanent basis unless this assessment is undertaken.

Consent

A person in a Responsible Person position or an incumbent for such a position is required to provide reasonable consent for the collection of information required to undertake a fit and proper assessment. This includes information that may be considered sensitive under the Privacy Act, and in the case of outsourced Responsible Person positions, the candidate is required to provide consent for required information to be provided by Peoplecare to the RBHS Board. Should this consent be withheld, that person will be unable to continue in, or be appointed to, a Responsible Person position.

6. Criteria for Assessment of Persons Covered by this Policy

Under its Fit and Proper Policy, RBHS will consider the nature and extent of a number of criteria in conducting fit and proper assessments. The criteria to be used will ordinarily include (where relevant):

6.1. The person's character, competence and experience relative to the duties involved, including whether the person:

- Possesses the necessary skills, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the particular duties and responsibilities of the role in question.
- Has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of his or her current duties.

6.2. Whether the person:

- Has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements or professional standards, or been obstructive, misleading or untruthful in dealing with regulatory bodies or a court.
- Has breached a fiduciary obligation.
- Has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices.
- Has been reprimanded, or disqualified, or removed, by a professional or regulatory body in relation to matters relating to the person's honesty, integrity or business conduct.
- Has been determined to be a Disqualified Person under the *Private Health Insurance Act*, or the *Corporations Act*.
- Has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure caused loss to others.
- Has been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management.
- Is or was of bad repute in any business or financial community or any market.

- Was the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities, which were determined adversely to the person (including by the person consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct) and which reflected adversely on the person's competence, diligence, judgement, honesty or integrity.
- If the person has a conflict of interest that RBHS prudently concludes will create a material risk that the person will fail to perform properly the duties of the position.

Conduct and events that took place overseas may also be relevant to the assessment.

6.3. For the Appointed Auditor, the following additional criteria must apply for the Auditor to be Fit and Proper:

- The person is a registered company auditor under the Corporations Act.
- The person has a minimum of five years' relevant experience in the audit of APRA-regulated institutions in the Private Health Insurance industry.
- The person is neither the Chief Executive Officer (CEO) nor a director of RBHS or a related body corporate.
- The person has experience relating to private health insurers that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the audit of RBHS.
- The person meets the independence requirements considered in *CPS510 - Governance*, and the applicable *Australian Auditing Standards*.

6.4. For the Appointed Actuary, the following additional criteria must apply for the Actuary to be Fit and Proper:

- The person has appropriate formal qualifications.
- The person is not the CEO or a director of RBHS or a related body corporate.
- Is not the Appointed Auditor, or an employee or director of an entity of which the Appointed Auditor is an employee or director, or a partner of the Appointed Auditor.
- Has a minimum of five years' relevant experience in the provision of actuarial services to entities carrying on private health insurance business and has experience relating to private health insurers, that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the provision of actuarial services to RBHS.
- Is a Fellow or Accredited Member of the Institute of Actuaries of Australia.
- Is ordinarily resident in Australia.

Appendix 1 shows for each Responsible Person position the checks required and the timing of these checks.

7. Final Determination

Persons deemed not “Fit and Proper” will not be entitled to object after the Board has conclusively made this determination.

8. Whistleblowing

If an employee, Director, consultant, Appointed Actuary or Appointed Auditor of RBHS believes that a Responsible Person does not meet RBHS' fit and proper criteria, the policy of RBHS is to encourage the employee, Director or consultant to communicate that belief and the reasons for it to either the CEO, the Chair of the Board, Chair of the NRC or to APRA. A Whistleblower may also advise APRA directly if there are reasonable grounds to believe that RBHS is failing to appropriately apply this Fit and Proper Policy.

RBHS, its directors, executives or any other officer must not constrain, impede, restrict or discourage, whether by confidentiality clauses, policies or other means, any person from disclosing information or providing documents to APRA about matters referred to in this policy.

RBHS will take all reasonable steps to ensure that no person making such disclosures in good faith is subject to or threatened with a detriment because of any notification in purported compliance with the requirements of the Fit and Proper Policy.

9. Communication of this Policy

RBHS will ensure that all Responsible Persons are aware of and understand this policy. It is RBHS' policy to comply with this requirement by:

- Providing a copy of this policy to all candidates for election or appointment as a Director as soon as possible after the candidate is nominated and to all other Responsible Persons prior to the initial assessment of their fitness and propriety.
- Providing a copy of this policy to all Responsible Persons as part of their annual re-assessments of fitness and propriety.

10. Advice to APRA

RBHS must advise APRA within 10 business days of the following for persons appointed to a Responsible Person position:

- The title of the responsible person's position.
- The person's full name.
- The person's date of birth (for identification purposes).

- The person's position and main responsibilities.
- A statement of whether the person has been assessed under the Fit and Proper Policy.

RBHS must similarly advise APRA within 10 business days of whether any current Responsible Person ceases to be fit and proper, and what action is being undertaken relating to that person and position.

11. Review Process and Timing

This policy forms part of the Risk Management Framework and is reviewed every three years by the Board.

12. Monitoring and Reporting

The Fit and Proper policy is monitored by the Board, with Management providing a Fit and Proper report to the Nominations and Remuneration Committee or the Board annually. This report will provide an update on the current Fit and Proper status and remuneration arrangements of responsible persons including confirmation the annual Fit and Proper declarations and annual Conflict of Interest declarations have been signed by all responsible persons.

APPENDIX 1 - Assessment requirements by position

	<u>Fit and Proper Declaration</u>	Conflict of Interest (annual declaration against requirements of CPS 520)	Verbal or written Character Reference <ul style="list-style-type: none"> Competence Character Diligence Honesty Integrity Judgment 	Evidence of experience validated via reference checks	Tertiary Qualifications	Police Check from NSW Police	Verified memberships of relevant professional body (copy of membership receipt and search of registry is available)	APRA or ASIC searches	Ordinary resident of Australia
Check Process	Declaration signed	Declaration signed	Reference check to be conducted	Reference check to be conducted	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work
Frequency	Initially & ANNUAL	Initially & ANNUAL	Initially	Initially	Initially	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY
Finance: - Manager Reporting & Budgeting - Manager Financial Services	YES	YES	YES	YES	Qualifications as applicable	YES	Certified Practising Accountant	N/A	YES
Risk Manager	YES	YES	YES	YES	N/A	YES	N/A	N/A	YES
Manager Product and Business Analytics	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	N/A	YES
CEO	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	APRA Disqualified Register	YES
Head of Customer Service & Marketing	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	APRA Disqualified Register	YES
Chief Information & Digital Officer	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	APRA Disqualified Register	YES

	<u>Fit and Proper Declaration</u>	Conflict of Interest (annual declaration against requirements of CPS 520)	Verbal or written Character Reference <ul style="list-style-type: none"> Competence Character Diligence Honesty Integrity Judgment 	Evidence of experience validated via reference checks	Tertiary Qualifications	Police Check from NSW Police	Verified memberships of relevant professional body (copy of membership receipt and search of registry is available)	APRA or ASIC searches	Ordinary resident of Australia
Check Process	Declaration signed	Declaration signed	Reference check to be conducted	Reference check to be conducted	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work
Frequency	Initially & ANNUAL	Initially & ANNUAL	Initially	Initially	Initially	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY
CRO	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	APRA Disqualified Register	YES
Head of People, Culture & Capability	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	APRA Disqualified Register	YES
Head of Hospital & Health Services	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	APRA Disqualified Register	YES
CFO	YES	YES	YES	YES	Recognised qualification in Commerce and Accounting	YES	Institute of Chartered Accountant or Certified Practising Accountant	APRA Disqualified Register	YES
Company Secretary	YES	YES	YES	YES	YES	YES	N/A	APRA Disqualified Register	YES

	<u>Fit and Proper Declaration</u>	Conflict of Interest (annual declaration against requirements of CPS 520)	Verbal or written Character Reference <ul style="list-style-type: none"> Competence Character Diligence Honesty Integrity Judgment 	Evidence of experience validated via reference checks	Tertiary Qualifications	Police Check from NSW Police	Verified memberships of relevant professional body (copy of membership receipt and search of registry is available)	APRA or ASIC searches	Ordinary resident of Australia
Check Process	Declaration signed	Declaration signed	Reference check to be conducted	Reference check to be conducted	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work	Service Provider i.e. Fit2Work
Frequency	Initially & ANNUAL	Initially & ANNUAL	Initially	Initially	Initially	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY
Directors	YES	YES	YES	YES	Qualifications as applicable	YES	N/A	<ul style="list-style-type: none"> Bankruptcy and National Personal Insolvency APRA Disqualified Register Enforceable Undertakings ASIC Banned & Disqualified Persons AU Directorship 	YES
Director Candidate	YES	YES	YES	YES Relevant to skills matrix	Qualifications as applicable	YES	N/A	<ul style="list-style-type: none"> Bankruptcy and National Personal Insolvency APRA Disqualified Register Enforceable Undertakings ASIC Banned & Disqualified Persons 	YES

	<u>Fit and Proper Declaration</u>	Conflict of Interest (annual declaration against requirements of CPS 520)	Verbal or written Character Reference <ul style="list-style-type: none"> Competence Character Diligence Honesty Integrity Judgment 	Evidence of experience validated via reference checks	Tertiary Qualifications	Police Check from NSW Police	Verified memberships of relevant professional body (copy of membership receipt and search of registry is available)	APRA or ASIC searches	Ordinary resident of Australia
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Frequency	Initially & ANNUAL	Initially & ANNUAL	Initially	Initially	Initially	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY	Initially & 3 YEARLY
								- AU Directorship	
Appointed Actuary	YES	YES	YES	YES Verified 5 years' experience.	Recognised qualification in Actuarial studies	YES	Institute of Actuaries Australia	Registration with Actuary Board	YES
Appointed Auditor	YES	YES Not a CEO of company	YES	YES Verified 5 years' experience	Recognised qualification in accounting and/or audit related field	YES	Institute of Chartered Accountants	Audit Registration with Audit Board/Registered Company Audits under the Corporations Act	