

AUDIT & RISK MANAGEMENT COMMITTEE

Powers

The Board Audit & Risk Management Committee possesses no delegated authority (except as specified herein or as may be delegated to the Committee by the Board from time to time), but may make recommendations to the Board of Medibank Private Limited (MPL) and its subsidiaries (the MPL group). The Committee will prepare an annual agenda of its proposed activities and provide a copy to the Board.

Objectives and activities

Provide assistance to the Board in fulfilling its governance, risk management and financial reporting responsibilities for the MPL group through oversight and review including making recommendations to the Board in relation to:

- overall policy direction of the Audit, Compliance & Risk Management functions;
- effective management of financial and non-financial risks as directed by the Board;
- compliance with relevant laws, regulations & codes;
- compliance with company policies;
- timely, accurate and reliable financial reporting;
- review of significant changes in accounting policies and disclosure in the Annual Financial Statements;
- review of the draft financial report of the MPL group;
- finalisation of annual reporting;
- overseeing external audit arrangements and reviewing the MPL group’s combined audit program (including both internal and external audit programs) to ensure all significant and controllable risks are included and that all key

risks which can be audited are included in the plans;

- reviewing the External Auditor’s annual report and management letter;
- maintenance of effective and efficient internal & external audit processes including review of annual internal audit plan and monitoring of progress and internal audit reports; and
- reviewing and monitoring the internal control framework.

Focus and Roles

Internal / External Audit/ Risk Management/Financial Reporting

The Committee shall satisfy itself that Management has raised awareness of any matters that might significantly impact on the financial condition, shareholder value, risk position, reputation or business affairs of the MPL group to the Board.

The Committee shall review and monitor the MPL group’s Enterprise Risk Management activities, draft annual financial reports and audit reports and recommend Board approval.

It is noted that the Board retains direct responsibility for strategic risk.

The Committee has oversight to assess fraud and/or inappropriate practices, and to satisfy itself that Management has effected appropriate systems of accounting, risk management, whistleblower procedures and internal controls.

The Committee shall review the strategic internal audit plans to ensure appropriate areas are selected for audit, and may task Internal Audit with ad hoc reports as required and recommend Board approval. It shall review the planning, efficiency

and effectiveness of the internal and external auditors.

From time to time, it shall establish sub-committees, to review and advise on specific projects or issues relevant to the Committee.

Regulatory Compliance

The Committee shall ensure appropriate management measures are in place to monitor developments and changes in the laws, regulations and codes relevant to the operations of the MPL group, and to advise the Board and Management in fulfilling their compliance responsibilities.

The Committee shall recommend compliance policy to the Board, review and approve the scope, resources and annual plans for compliance, raise and discuss topical compliance issues and measure the effectiveness of the compliance role.

Responsibility for ensuring and improving compliance remains with Management, which shall report to the Committee on a regular basis, highlighting the effectiveness of the compliance function and any major compliance breaches or risks.

Insurance

As appropriate the Committee will review:

- Directors’ and officers’ liability insurance policies;
- Director and employee deeds of indemnity, insurance and access; and
- other insurance matters as required from time to time.

Authority

The Board authorises the Committee to obtain any information necessary to complete the above

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responsibilities. This includes information from any employee or external party, including the authority to seek external legal or other independent professional advice.

Membership

The Committee is a committee of the Board, composed a minimum of three non-executive directors, excluding the Managing Director. The Company Secretary shall be the secretary of the Committee.

A majority of members of the Committee shall comprise a quorum. The Committee may invite other persons as it deems necessary (eg Managing Director, CFO, Manager Group Assurance (Internal Audit, Risk & Compliance)).

Process

The Committee shall hold at least four meetings per annum and shall report to the Board (at the following Board meeting) on the Minutes and the recommendations for the Board arising out of that meeting.

Amendments to the Charter

Any or all amendments to or revisions of this Charter can only be made with the approval of the Board of MPL.

Powers

The Health and Business Innovation Committee possesses no delegated authority but is the means through which the Board informs itself on strategic initiatives covering business development and innovation before they appear in the corporate planning process making the necessary recommendations to the Board of Directors.

Purposes & Objectives

The primary purpose of the Committee, is to review and, where necessary, endorse direction taken by management in health initiatives and business innovation. The Committee provides a link between the Board and the Clinical Governance activities within the Health Solutions Division. This Committee is also to provide oversight of strategic technology enabled initiatives, providing governance for corporate plan alignment and enablement of business strategy and plans.

Specifically, the areas of focus of the Committee are:

PHI Division:

- review impact to customer service and experience via proposed changes to the business' operating model and service provision
- review new product and health initiative development including impact on and utilisation of people, processes and technology;
- review new product and diversification initiatives;
- review new provider contracting strategies; and
- review health management and utilisation management initiatives.

Health Solutions Division:

- review impact to customer service and experience via proposed changes to the business' operating model and service provision;
- review new health service provision initiative developments including the clinical effectiveness of proposed new services;
- oversight and provide advice on service delivery and practice improvement;
- review and provide input to the content and structure of professional development;
- In accordance with the Medibank Clinical Governance framework, the Clinical Governance Committee, through the CEO of the Health Solutions Division, will provide an annual report to this Committee on Clinical Effectiveness & Innovation and Education & Training issues and activities.

Focus and Role

The guiding principles that are to govern the Committee's functions are:

- to have a longer term orientation (ie, not operational implementation) and review the what, why and when of major new initiatives;
- to review new initiatives in the context of Medibank's divisional structure as both a purchaser of health services used by our members and a health service provider to PHI members, corporate customers and the broader community to ensure evidence based health service delivery;
- to review new product, health initiatives, business innovations, benefit and purchasing strategies ensuring alignment to Corporate Plan and the preservation or enhancement of member value business returns or other relevant business criteria; and
- to review the direction of PHI and health management service delivery in the context of legislative changes such as Broader Health Cover, and review management strategies that endeavour to position Medibank as a leader in the sector;
- to review and provide advice on the proposed strategic direction for development and deployment of Medibank's health services in terms of which products, services and markets.

Membership

Membership to the Committee is to be appointed by the Board and will comprise a minimum of 4 Non-Executive Directors. A quorum shall compose 3 Non-Executive committee members.

The Managing Director will attend by invitation.

The Board will appoint the Committee Members and Chairman of the Committee.

Group Executive Co-ordinators

The Co-ordinators of the Committee will be the Chief Executive Officer, PHI Division, Chief Executive Officer, HS Division and the Chief Information Officer.

Attendees

Attendees will be the Chief Executive Officer PHI Division, Chief Executive Officer HS Division, Chief Information Officer, Executive General Manager, Health Management HSD, Executive General Manager Strategy & Planning (PHID), Executive General Manager Strategy & Planning (HSD), Executive General Manager Marketing & Product (PHID). Other personnel will attend as required when the agenda is relevant to their specific responsibility.

The Chief Executive Officer HS Division will coordinate HBIC activities and the Company Secretary will provide executive support.

The Board will confirm or amend the membership of the Committee annually or as required.

Process

The Committee is to hold at least three meetings per annum and report to the Board (at its next Board meeting) on the outcomes of the Committee meeting and make any recommendations for consideration by the Board arising out of that meeting.

Amendments

Amendments to this Charter can only be made with the approval of the MPL Board.

Formation

The Board has resolved to establish a Human Resources Committee (**Committee**) and has delegated to it the responsibilities set out in this Charter.

This document represents the Charter of the Committee as adopted by the Board as at 30 April 2010.

Responsibilities

The Committee is responsible for overseeing human resources initiatives including recruitment, training and development, and remuneration of the Medibank Group generally.

The Committee's responsibilities include:

- recommending to the Board a framework or policy for employee recruitment and remuneration. The policy should aim to set remuneration which:
 - is competitive, equitable and designed to attract and retain high quality employees;
 - promote diversity, equal opportunity and ethical behaviour;
 - motivates executives to pursue the long-term growth of the Medibank Group; and
 - establishes a clear relationship between executives' performance and their remuneration;
- to assess and report to the Board on the company's performance in relation to health and safety
- reviewing and recommending to the Board the design of any incentive schemes and any amendments to such schemes or plans;
- reviewing and recommending to the Board the total individual remuneration package of the Managing Director and his direct reports including individual incentives both as to their quantum and measurement;
- reviewing performance of the Managing Director and his direct reports against individual and company targets at year end and recommend to the Board the amount of any payment against the various incentive targets;
- ensure that remuneration policies and outcomes align with Remuneration Tribunal Submissions;
- reviewing and recommending to the Board, director remuneration submissions;
- reviewing the Director Induction Program;
- reviewing, approving and monitoring the implementation of the Company's Human Resources Strategic Plan, Human Resources Policy and Performance Management Systems;
- reviewing and approving the Medibank Code of Conduct Policy;
- reviewing and approving the Medibank Group's executive management succession plan including career development for key and high potential executives and advising of internal/external availability for key executive positions; and
- reporting to the Board the findings and recommendations of the Committee after each meeting.

Membership

Number and independence

The Committee should consist of at least 3 members, all of whom are non- executive Directors.

Term of membership

Members of the Committee will be appointed for a term of 3 years after which they will be eligible for reappointment unless otherwise determined by the Board.

Absence of committee member

If a member of the Committee is unable to act due to absence, illness or any other cause, the Chairperson of the Committee may appoint another non-executive director of the Company to serve as an alternate member of the Committee.

Rotation of members

Terms will be staggered so that members retire and are considered for reappointment on a rotational basis. The object of this procedure is to maintain a degree of continuity whilst offering the opportunity to access different perspectives through the appointment of new members.

Chairperson

The Board will appoint the Chairperson of the Committee, who should be a non executive director. In the absence of the appointed Chairperson, the remaining members present will elect one of their number to chair the meeting.

Meetings

Quorum

The quorum required for a meeting of the Committee is 2.

Frequency of meetings

The Committee will meet at least three times a year, including:

- at the beginning of each financial year to determine appropriate levels of remuneration for the senior executive group;
- once after the conclusion of each financial year, being the time of completion of the performance management process;
- once with senior management to review the outcomes of the succession planning process; and
- from time to time as required to discharge its responsibilities or as required by the Committee Chairperson.

Calling of meetings

If requested to do so by a Committee member, the Committee Chairperson will consider and decide whether it is appropriate to call a Committee meeting. Meetings of the Committee will be convened by the secretary of the Committee.

Attendance by the Board Chairperson or other Directors

The Board Chairperson or other directors may attend any meeting of the Committee in an *ex officio* capacity.

Attendance by Managing Director and executives

The Managing Director and senior executives of the Company may attend or address Committee meetings on invitation from the Committee or the Committee Chairperson.

Attendance by professional advisers

Professional advisers retained by the Committee may attend and speak at meetings if invited by the Committee or the Committee Chairperson with or without any management being present.

Secretary

The Group General Manager – People, Culture and Communications or his or her nominee will act as the secretary of the Committee unless otherwise determined by the Committee.

Minutes

The secretary will prepare minutes of all Committee meetings, including the names of those present. A copy of the minutes, as approved by the Committee Chairperson, will be distributed to all members of the Board.

Resolutions by circular

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.

Board Powers

Despite the responsibilities in Section 5, the Board retains responsibility for:

- the appointment and remuneration of non-executive directors;
- deciding the remuneration package of the Managing Director, inclusive of fixed pay and other incentive components;
- reviewing and making decisions in relation to the appointment and terms of employment of the Managing Director;
- approving any changes to the Human Resources Committee charter; and
- approving remuneration proposals from the Committee in relation to senior management.

Authority

The Committee is authorised by the Board to:

- obtain any information it requires from any employee of the Company or any subsidiary of the Company; and
- obtain or retain any independent professional advice it considers necessary, including advice from remuneration and human resources consultants.
- undertake or discharge responsibilities listed under Responsibilities.

INVESTMENT COMMITTEE

Powers

The Investment Committee is a Committee of the Board of Directors of Medibank Private Limited (MPL).

The Investment Committee has been delegated the following powers from the Board:

- Appoint & Terminate Fund Managers;
- Determine values allocated to fund managers and values allocated to investment sector sub classes;
- Authorise derivative purchases and/or sales to manage investment portfolio to risk tolerance set by Board; and
- Approve Tactical Asset Allocation tilt process within the variance parameters determined by Board

The Investment Committee may also make recommendations to the Board of Directors of MPL.

Purpose and Objectives

The primary purpose of the Committee is to:

- Oversee the implementation and monitoring of the Investment Strategy approved by the Board;
- Monitor and review, on behalf of the Board, the effectiveness of the investment process of the group in achieving optimum return relative to risk.
- Authorise investment decisions in those areas where investment powers have been delegated by the Board

Focus and Role

The Committee will, in particular, as frequently as it considers appropriate:

- Make recommendations to the Board for the appointment of advisers on asset allocations, custodians and other service providers;

- Review the performance of these service providers;
- Review management’s brief to asset allocation advisers regarding acceptable levels of risk and projected operating financial performance of the group;
- Review asset allocation advisors’ recommendations on asset allocation and make recommendations to the Board;
- Review management reports on investment performance and outlook and make appropriate recommendations to the Board;
- Authorise Fund Manager hirings & firings and determine fund manager weights;
- Approve the purchase and sale of derivative instruments so as to meet the Investment objectives determined by the Board; and
- Approve processes governing Tactical Asset Allocation tilts.

The Committee, in making its recommendations and decisions, will accept advice from the Investment Advisor appointed by the Board.

Membership

The Investment Committee is appointed by the Board.

The Committee will be comprised of a minimum of three non-executive Directors and the Managing Director.

- The Chairman of the Board will appoint the Chair of the Committee.
- The Board will confirm or amend the membership of the Committee annually or as required.

Process

The Investment Committee is to hold at least three meetings per annum.

The Committee will resolve decisions within those areas where power has been specifically delegated by the Board.

The Committee will report to the Board (at the next Board meeting) on the outcomes of the Committee meeting and make any recommendations for consideration by the Board arising out of that meeting.

The Committee will obtain expert advice from the Investment Advisor appointed by the Board.

Amendment of the Charter of the Investment Committee

Amendments to or revisions of this Charter can only be made with the approval of the Board of MPL.

Powers

The Committee possesses no delegated authority, but may make recommendations to the Board of MPL.

Purpose and Objectives

The Committee covers the functions of a Nomination & Remuneration Committee as required by section 3.5 of the GBE Governance Arrangements to provide to the Shareholder Minister, through the Board, with a list of suitable candidates for Board membership.

Focus and Role

The focus of the Committee will be on issues relating to the Board of MPL and the appointment of a Managing Director.

Board of Directors

As appropriate the Committee will:

- Annually evaluate the performance of the Board as a whole, its Committees and individual Directors and review the effectiveness of the Board program and meetings.

- Make recommendations regarding the size and composition of the Board, including appointment and removal of Directors.
- Review criteria for Board membership including necessary and desirable competencies.
- Review a Board succession plan.
- Oversee search process for new Directors.

Managing Director

The MPL Constitution (s52) authorises the Directors, subject to Shareholder Minister approval, to appoint a Managing Director.

As appropriate the Committee will:

- Review criteria for recruitment and selection process.
- Recommend to the Board and Shareholder Minister the appointment of an MD.
- Review a MD succession plan.

Membership

- The Committee is appointed by the Board and will comprise a minimum of three non-executive Directors.
- The Managing Director shall attend meetings by invitation.
- The Chair of the Board will be the Chair of the Committee.
- The Board will review the membership of the Committee annually.

Process

The Committee will hold at least one meeting per annum and will report to the Board on the recommendations of the Committee.

Amendment of the Charter

Amendments to this Charter can only be made with the approval of the Board.