

# Code of Ethics and Conduct for Subsidiary Directors

Ethics Connects Us

January 2025

Living Our Purpose  
and Core Values





## Code of Ethics and Conduct for Subsidiary Directors

Health Care Service Corporation and all of its majority owned (greater than 50%) subsidiaries (collectively, "HCSC") have adopted a Compliance Program which includes a Code of Ethics and Conduct which applies to all employees and directors of HCSC. HCSC is committed to conducting its business in compliance with all applicable laws, regulations, and contractual obligations and in accordance with high standards of business conduct. Because of their special responsibilities, the HCSC Board of Directors has also adopted a Subsidiary Director's Code of Conduct to operate in addition to and supplement HCSC's Code of Ethics and Conduct.

This Subsidiary Director's Code of Conduct is a guide to help majority and wholly owned subsidiary entity directors adhere to HCSC's high ethical standards and a statement to the public that HCSC subsidiaries are committed to the highest standards of integrity and performance from their Board of Directors.

An active and involved Subsidiary Board of Directors, with the necessary skills and experience, provides the best assurance that HCSC subsidiaries will achieve their objectives and maintain a reputation for staying true to HCSC's purpose and core values.

## Our Purpose

**Empowering  
whole person health  
with compassion  
and innovation**

## Our Mission

To increase access to quality affordable health care across the communities we serve.

## Our Core Values

 **Integrity**  
Always do the right thing;

 **Respect**  
Everyone deserves it;

 **Commitment**  
We keep our promises;

 **Excellence**  
We drive extraordinary results; and

 **Caring**  
We put our heart into our work.

## Commitment and Responsibilities

Each Subsidiary Board of Directors is responsible for guiding its company's strategy, monitoring managerial performance and achieving business objectives, while balancing competing demands on resources and management.

### Duty of Care

Each director must act on a fully informed basis, with due diligence and care and in the best interest of the subsidiary they serve. Each director shall become familiar with the subsidiary's businesses, including the economic and competitive environment in which the company operates, including a basic understanding of its:

- principal operational, financial and other plans, strategies and objectives;
- operational results and financial condition; and
- relative position of the subsidiary in its marketplace.

Each director must have and commit the time necessary to prepare for, attend (in person or by telephone conference call, as appropriate) and actively participate in Board and committee meetings.

Each director shall inform HCSC's Chief Ethics, Compliance and Privacy Officer of their other employment, board positions and other obligations that might interfere with their ability to perform their duties.

Each director shall inform HCSC's Chief Ethics, Compliance and Privacy Officer, in advance to the extent practicable, of any change in position or of any new board positions or other new obligations that might interfere with their ability to perform their duties.

Each director shall carefully consider whether they will have the time to discharge their responsibilities. At a minimum, directors are expected to attend not less than 75% of all meetings of the Board and the committees of which they are members. As a general matter, each director will be required to spend the appropriate time each year preparing for and attending Board and committee meetings.

Each director shall be satisfied that the subsidiary they serve has an effective system for providing the members of the Board with timely, periodic reports of the information they need to perform their responsibilities.

Each director shall be satisfied that the subsidiary has information and reporting systems that are designed to provide to management and to the Subsidiary Board of Directors, timely accurate information sufficient to allow management and the Board, each within its scope, to reach informed judgments concerning the subsidiary's compliance with law and its business performance.

Each director shall be satisfied that the subsidiary has in place compliance programs to prevent, detect and correct noncompliance with the law, to promptly report violations when discovered as appropriate, and to take prompt, voluntary remedial efforts.

## Duty of Loyalty; Conflicts of Interest

Each director is bound by a duty of loyalty that requires the director to exercise directorial powers in good faith in the best interests of the subsidiary they serve and not in the director's own interest or in the interest of another person (such as a family member) or another organization.

Each director must disclose to HCSC's Chief Ethics, Compliance and Privacy Officer their employment, board positions, and other relationships with business, civic, charitable and governmental entities.

When a director, directly or indirectly, has a financial interest or personal interest in a contract or transaction to which HCSC or any of its subsidiaries is to be a party, or is contemplating entering into a transaction that involves the use of corporate assets or competition against HCSC or any of its subsidiaries, the director is considered to be "interested" in the matter. The director should seek approval by disinterested directors of the transaction or conduct in which they are interested and should disclose that interest to the Board members who are to act on the matter and describe all material facts concerning the matter known to the director. The interested director must abstain from voting on the matter, and in most situations, after disclosure the director will be asked to leave the meeting at which the contract or transaction is to be discussed and acted upon. The specific procedures will be established with the guidance of counsel.

Each director is required generally to make a business opportunity available to the subsidiary they serve before the director may pursue the opportunity for the director's own or

another's account. Whether the opportunity must first be offered to the subsidiary will depend on the following circumstances:

- correlation of the opportunity to the business of the subsidiary;
- circumstances in which the director learned of the opportunity;
- possible significance of the opportunity to the subsidiary; and
- reasonableness of the expectation that the director shall make the opportunity available to the subsidiary.

Corporate opportunities are subject to disclosure to the Subsidiary Board of Directors like other conflict of interest transactions, and if, after disclosure, the Board, acting through its disinterested directors, disclaims interest in the transaction by the subsidiary, the director shall be free to pursue it.

## Director Independence

A subsidiary director shall be "independent" as determined by the company's operating agreements and/or bylaws. Each entity's board requirements may vary and include or not include an "independent" director.

No director qualifies as "independent" unless the Subsidiary Board of Directors affirmatively determines that the director has no material relationship with the subsidiary (either directly or as a partner, owner, shareholder, officer, member or manager of a limited liability company, or an equivalent position of an entity that has a relationship with the subsidiary). This determination of independence will be based on all relevant facts and circumstances, from the standpoint of the director

and of the persons or entities with which the director has an affiliation. Material relationships can include provider, supplier, brokerage, agency, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships; provided, however, in no event shall the ownership of less than one (1%) percent of the shares of a publicly traded company, absent any other relationship, be considered or interpreted to be material for purposes of this Subsidiary Director's Code of Conduct.

## Notwithstanding the foregoing

- No director who is a former employee of HCSC or any of its subsidiaries can be "independent" until three years after termination of employment.
- No director can be "independent" if they are a current partner of the outside auditor of HCSC or any of its subsidiaries or was a partner or employee of an outside auditor who personally worked on HCSC's or a subsidiary's audit at any time during any of the past three years.
- No director can be "independent" if they are, or in the past three years has been, part of an interlocking directorate in which an executive officer of HCSC serves on the compensation committee of another company that concurrently employs the director.
- No director can be "independent" if they are an executive of an executive compensation firm currently performing work for HCSC or any of its subsidiaries or was an employee of an executive compensation firm who worked on an assignment at HCSC or any of its subsidiaries at any time during any of the past three years.

- No director with an immediate family member in the foregoing categories can be "independent" until three years after termination of the relationship that is in the foregoing categories, provided that employment of a family member by HCSC in a non-senior officer position would not be a bar to independence.
- No director will be considered "independent" if they receive any consulting, advisory or other compensatory fees from HCSC or any of its subsidiaries other than in their capacity as a member of the Board or any Board committee.

Each director shall promptly disclose to the HCSC Chief Ethics, Compliance and Privacy Officer any relationship and any change in such relationships affecting the independence of the director as outlined above. If any change in such relationships would result in a director ceasing to be independent, the director will promptly notify the Board of Directors for consideration and the taking of appropriate action.

## **Compensation**

The Subsidiary Board of Directors shall set their own compensation with sensitivity to the inherent conflict involved in such determination and in a manner and amount that is fair to the directors and the subsidiary and aligns the interests of directors with the long range objectives of the subsidiary.

## **Confidentiality**

Directors are expected to keep all subsidiary information confidential.