

# GROUP HEALTH COOPERATIVE

## COMPENSATION COMMITTEE OF THE BOARD OF TRUSTEES

### CHARGE

Revised August 7, 2015

1. **Purpose.** The Compensation Committee (the “committee”) of the Group Health Cooperative Board of Trustees (the “Board of Trustees”) is established by action of the Board of Trustees for the primary purpose of acting on behalf of the Board in establishing the organization's executive compensation philosophy, negotiating the employment agreement for the president/CEO, determining appropriate compensation for the president/CEO, executive vice presidents, and vice presidents (collectively “Group Health Executives”), establishing plans and policies pertinent to the compensation for Group Health Executives and providing advice to management on enterprise human resources strategies.

2. **Composition of the Committee.** The members of the committee must be persons unrelated to and not subject to the control of the Group Health Executives whose compensation they review or approve. The committee will be comprised of no less than three (3) nor more than five (5) members of the Group Health Board of Trustees: the chair of the Cooperative, the vice chair and up to three additional trustees appointed by resolution adopted by the Board of Trustees. Each member will serve on an annual basis or until his/her successor is appointed.

Given the nature of the responsibilities of the committee, reasonable efforts will be made to maintain continuity of committee membership from year to year while also preparing other trustees to serve on the committee. Members are encouraged to enhance their knowledge of executive employment and compensation issues by participating in training or educational programs, including those provided by Group Health and external advisors.

3. **Meetings of the Committee.** The committee will meet no less than two times annually, and as frequently as circumstances dictate.

The committee will provide for open communication among its members, external consultants, the president/CEO, and legal counsel. Committee meetings will allow for full and frank discussion of the adequacy of information provided to the committee for its deliberations and the adequacy of consultant support to the committee, including compensation consultant and legal consultant support. As part of its responsibility to foster open communication, the committee will, at its discretion, meet with the external compensation consultant outside of the presence of corporate legal counsel or management. Each meeting shall be conducted in executive session, absent decision by the chair to conduct the meeting as a public session. Further, each regularly scheduled meeting shall include time on the agenda for a discretionary closed executive

session. Non-committee members may be invited to participate in the closed executive session at the chair's discretion.

**4. Responsibilities, Duties, and Authority of the Committee.** The responsibilities described in this charge are set forth as a guide, with the understanding that the committee may diverge as appropriate given the circumstances. The committee is authorized to carry out these and such other responsibilities assigned by the Board of Trustees from time to time, and take any actions reasonably related to the mandate of this charge. The committee is further authorized to investigate any matter brought to its attention with access to all books, records, facilities, and employees of Group Health Cooperative. The committee has the power to retain outside counsel, compensation consultants, or other experts and will receive adequate funding from Group Health to engage such consultants.

To fulfill the purpose set forth above, the committee will:

- A. Periodically review this charge and recommend to the Board of Trustees any amendments.
- B. At least biennially, review and approve an Executive Total Compensation Philosophy statement (Philosophy Statement) concerning executive compensation; ensure that compensation decisions for Group Health Executives are consistent with that Philosophy Statement; and forward the approved Philosophy Statement to the Board of Trustees at least biennially for information purposes.
- C. Negotiate and approve the president/CEO's employment agreement and amendments thereto; forward the president/CEO employment agreement at least once every three years to the Board of Trustees for information.
- D. Annually review market data and receive reports prepared by a qualified, external compensation consultant who reports directly to the committee, regarding the compensation package for the president/CEO. Annually approve the compensation package for the president/CEO based upon relevant market data presented by the compensation consultant.
- E. Periodically review and update as necessary a job description for the president/CEO; report same to Board of Trustees at least once every three years.
- F. Oversee the president/CEO performance review process, ensuring at least one formal performance review meeting annually at which the president/CEO performance is evaluated against corporate goals and objectives and the president/CEO's performance agreement.

- G. Establish and periodically review and update as necessary the president/CEO search planning process.
- H. Annually review data and receive reports prepared by one or more qualified compensation consultants (at least one of whom is not employed by Group Health) comparing the compensation of Group Health executive vice presidents and vice presidents with the compensation of comparable executives in the relevant market. Annually approve the compensation package for the executive vice presidents and vice presidents based upon relevant market data presented by the compensation consultant and the recommendations of the president/CEO.
- I. Approve the compensation package (or, as determined appropriate by the committee under the circumstances, the range of compensation) to be offered to: (1) finalist candidates for executive vice president positions; and (2) finalist candidates for vice president positions who are at that time (a) employed by Group Health Cooperative or (b) determined to be “disqualified persons” under applicable regulations of the Internal Revenue Service. In reviewing such compensation packages, the committee shall consider relevant market data presented by the compensation consultant and the recommendation of the president/CEO.
- J. Establish conditions applicable to the president/CEO’s determination of compensation to be offered to finalist candidates for vice president positions other than those described in Paragraph 4.I. above, and consider for approval any proposed exceptions thereto, following review of relevant market data presented by the compensation consultant and the recommendation of the president/CEO.
- K. Advise the president/CEO, as requested, on other matters related to the employment of executives other than the president/CEO, including the criteria for and scope of vice president roles.
- L. Advise the president/CEO, as requested, on matters related to enterprise human resources strategies, including employee engagement.
- M. Annually review and approve executive incentive plan documents applicable to the president/CEO and other Group Health Executives; annually review and approve organizational goals and objectives relevant to president/CEO and other Group Health Executives' incentive plan compensation.
- N. On an annual basis, review performance results under the executive incentive plans, determine the final score for organization performance, and approve payouts, if any, for which the president/CEO and other Group Health Executives are eligible under the executive incentive plans.

- O. On a periodic basis, receive reports on progress toward accomplishment of incentive targets under executive incentive plans.
- P. Annually report the compensation package for all Group Health Executives to the Board of Trustees for information.
- Q. Obtain advice and assistance from outside legal, human resources, compensation, or other advisors as deemed appropriate to perform the duties and responsibilities of the committee.
- R. Review and approve any newly established deferred compensation, bonus, or incentive plans for Group Health Executives.
- S. Annually conduct a self-evaluation of the performance of the committee, including its effectiveness and its compliance with this charge.
- T. Report regularly to the Board of Trustees regarding the execution of the committee's duties and responsibilities and report more frequently as determined appropriate by the committee on specific actions taken by the committee during the year.
- U. Identify, oversee and, as necessary, track significant risks and risk mitigation efforts by management on matters that fall within the purview of the committee's responsibilities and authority.
- V. Review Board policies within the scope of the delegation to the committee and recommend the adoption or amendment of such policies to the Board.
- W. Maintain minutes or other records of committee meetings and activities.