

Blue Cross and Blue Shield of North Carolina

Corporate Governance Guidelines

Over the course of Blue Cross and Blue Shield of North Carolina's ("BCBSNC" or the "Company") history, the Board of Trustees (the "Board") has developed corporate governance policies and practices to help it fulfill its corporate obligations. These governance policies are memorialized in these guidelines. The guidelines may change from time to time to reflect ongoing activities of the Board and are not meant to supersede or bind the Company in the same fashion as the Company's Bylaws. Instead, these guidelines are meant to provide the Board with a set of working tools and to provide our customers with additional information about the manner in which the Company is governed.

Role of the Board

Management is responsible for the day-to-day business operations of BCBSNC; the Board provides general oversight and guidance. The basic responsibility of the Board is to exercise its business judgment by acting in what it reasonably believes to be in the best interests of the Company and its customers. Through oversight, review and counsel, the Board establishes and promotes BCBSNC's business and organizational objectives. The Board oversees the Company's business affairs and integrity, works with management to determine the Company's mission and long-term strategy, performs the annual CEO evaluation, oversees CEO succession planning, establishes internal controls over financial reporting and assesses company risks and strategies for risk mitigation.

Board Composition and Selection; Independent Trustees

1. **Board Size.** The Board must consist of not less than 12 or more than 16 trustees. The Board periodically evaluates whether a larger or smaller slate of trustees would be preferable.
2. **Selection of Board Members.** The Governance and Nominating Committee is responsible for recommending to the Board trustee candidates for nomination and election. In making its recommendations to the Board, the Governance and Nominating Committee considers, among other things, the qualifications of individual trustee candidates in light of the Board Membership Criteria described below.
3. **Board Membership Criteria.** The Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills, and experience needed for the Board as a whole and for its individual members with the objective of having a Board with diverse backgrounds and experience. The criteria weighed in the trustee selection process includes: the candidate's integrity; high personal and professional ethics and sound business judgment; the relevance of the candidate's experience to the business of the Company; enhancing the diversity of the Board; the candidate's independence from conflict or direct economic relationship with the Company; and the ability of the candidate to attend

Board meetings regularly and devote an appropriate amount of effort in preparation for those meetings. The Board evaluates each individual in the context of the Board as a whole, with the objective of maintaining a group that can best perpetuate the success of the Company's business through the exercise of sound judgment, using its diversity of experience.

4. **Trustee Independence.** Pursuant to the Board of Trustees Policy on Independence, a majority of the Board must be independent, and each of the Audit Committee, the Personnel and Compensation Committee and the Governance and Nominating Committee must be comprised entirely of independent trustees.
5. **Conflict Reporting.** Annually, trustees are required to execute a statement acknowledging his or her responsibility to carry out the affairs of the Company in an ethical and lawful manner and setting forth any existing or potential conflicts of interest. At a minimum, any conflicts that do not materially offend The Policy on Independence require disclosure and may require abstention from participation in discussions or voting by such Directors on matters related to the conflict.
6. **Fiduciary Obligation.** The Board, when making a business decision, must act in accordance with its fiduciary obligations and on an informed basis. Accordingly, trustees will not use their corporate positions for personal profit, gain or other personal advantage, and must recuse themselves from voting or participating in deliberations on matters in which a potential conflict of interest may arise.
7. **Term Limits.** Trustees may serve three successive terms of four years each; thereafter a person can be re-elected as a trustee after one full year has passed since the expiration of their third term. In addition, a trustee may be elected to a fourth successive term in appropriate circumstances if approved by two-thirds of the trustees then in office.
8. **Retirement Policy.** No trustee may be elected to a term that begins after they have reached the age of 72, and the term of any trustee who reaches the age of 72 after election must end at the next annual meeting of the Company.

Board Meetings; Involvement of Senior Management and Independent Advisors

9. **Board Meetings – Frequency.** The Board will generally hold five regularly scheduled meetings per year and will hold additional special meetings as necessary. In addition, the Board generally holds a working seminar each year to more deeply review and discuss the Company's business performance, strategy and direction. Each trustee is expected to attend both scheduled and special meetings, unless circumstances make attendance impractical.
10. **Board Meetings – Agenda.** The Chairman of the Board and the CEO will set the agenda for each Board meeting, taking into account recommendations from other members of the

Board and senior management. The agenda and other materials for each Board meeting will be distributed in advance to each trustee.

11. **Advance Distribution of Materials.** All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed to all members in advance, whenever feasible and appropriate. Each trustee is expected to review this information in advance of the meeting to facilitate the efficient use of meeting time.
12. **Access to Employees.** The Board has access to Company management and employees to ensure that trustees can ask all questions and obtain all information necessary to fulfill their duties. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board obtain a fuller understanding of matters being considered.
13. **Access to Independent Advisors.** The Board and its committees have the right at any time to retain independent outside auditors and financial, legal or other advisors.
14. **Compensation Consultant Independence.** The Personnel and Compensation Committee has sole authority to retain and terminate compensation consultants that advise the Committee, as it deems appropriate, including sole authority to approve the consultants' fees and other retention terms. It is the policy of the Personnel and Compensation Committee that any compensation consultant it retains be independent of Company management.

Training; Performance Evaluation; Succession Planning

15. **Orientation and Continuing Education.** BCBSNC has a training program through which a new trustee is provided with the core materials and orientation to become knowledgeable about the business of BCBSNC and familiar with the senior management team. As required by the Blue Cross and Blue Shield Association, within the first year of service, trustees participate in a training program on the fiduciary duties and other responsibilities of trustees and on the Association's operations and governance. Consistent with our federal contract requirements, trustees are also provided with annual training on our Medicare obligations. Board members are also encouraged to visit BCBSNC facilities and meet with BCBSNC employees throughout their tenure. Continuing education programs for Board members may include a combination of internally developed materials and presentations, programs presented by third parties, and financial and administrative support for attendance at qualifying programs.
16. **CEO Evaluation.** The Chairman of the Board, in consultation with the Executive Committee and the Personnel and Compensation Committee, directs a review of the performance of the CEO annually. The evaluation results are reviewed and discussed with the Board and then communicated to the CEO to allow the CEO to offer comments.

Thereafter, the results are shared with the Personnel and Compensation Committee for its consideration and development of compensation recommendations to the Board.

17. **Succession Planning.** As part of the annual senior corporate officer evaluation process, the Executive Committee works with the CEO to plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence. Succession plans are reviewed by the Board as frequently as the Board deems is warranted.
18. **Board and Committee Self-Evaluation.** The Governance and Nominating Committee is responsible for conducting an annual evaluation of the performance of the Board and each of its committees. Individual trustees are encouraged to consider their own performance as trustees throughout this evaluation process. Evaluation results are reported to the Board.

Committees

19. **Number and Type of Committees.** The Board has four committees: an Audit Committee, Personnel and Compensation Committee, a Governance and Nominating Committee and an Executive Committee. As provided in the Company's Bylaws, the Board may add new committees as it deems advisable in the fulfillment of its responsibilities. Each committee reports its recommendations, activities, and work product to the full Board on a regular and continuing basis. The Board is responsible for the appointment of committee members and committee chairpersons.

Compensation

20. **Board Compensation Review.** Generally, the Board believes that the level of trustee compensation should be based on time spent carrying out Board and committee responsibilities and be competitive with comparable companies. Company management should report to the Board every year how the Company's trustee compensation practices compare with those of similarly situated corporations with a view toward attracting and retaining qualified trustees. The Board should make changes in its trustee compensation practices only upon the recommendation of the Personnel and Compensation Committee, and following discussion and concurrence by the Board.
21. **Extension of Credit to Trustees or Executive Management.** Neither BCBSNC nor its subsidiaries will extend to any trustee or executive officer any loan or any form of credit other than travel advances designed to cover nominal travel expenses within the guidelines of BCBSNC travel expenses.

Miscellaneous

22. **Reporting Concerns about Abuse, Violations of Law, Violations of the Code of Conduct.** The Code of Conduct adopted by the Board allows for anonymous reporting of

any suspected abuse, violation of law or violation of the Code of Conduct to the Director, Ethics & Privacy Official at 1-888-486-1554. The Company provides for independent reporting by the Chief Compliance Officer to the Board's Audit Committee, and persons should feel comfortable that no retaliation for good faith reporting will occur. In the rare circumstance where a person wishing to make such a report simply does not feel comfortable reporting concerns (other than labor law concerns) through management channels, they may write directly to chair of the Audit Committee at jeffreytbarber@yahoo.com

23. **Publication of Information.** BCBSNC will publish these Corporate Governance Guidelines, a listing of members of the Board of Trustees and its Code of Conduct on the BCBSNC website.
24. **Review of Corporate Governance Guidelines.** The Board expects to review these guidelines every two years, or more frequently as appropriate.

Revised: December 7, 2016