

BLUE CROSS NC BOARD OF TRUSTEES
POLICY ON INDEPENDENCE

The Board of Trustees of Blue Cross and Blue Shield of North Carolina (“Blue Cross NC” or the “Company”) should have a substantial degree of independence from management. Board independence depends not only on trustees’ individual relationships - personal, employment or business - but also on the board’s overall attitude toward management. Providing objective independent judgment is at the core of the board’s oversight function, and the board’s composition should reflect this principle. The following is the Blue Cross NC Board of Trustees’ Policy on Trustee Independence.

It is the policy of the Board of Trustees that a majority of its members be independent, and that each of the Audit Committee, the Personnel & Compensation Committee, the Governance & Nominating Committee and the Investment Committee be comprised entirely of independent trustees. The Board shall make an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Governance and Nominating Committee. Each independent trustee shall notify the Chair of the Governance and Nominating Committee as soon as practical of any event, situation or condition that may affect the Board’s evaluation of his or her independence.

An “independent trustee” means a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship that, in the opinion of the company’s board of trustees, would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. Without limiting this general requirement for independence, the following persons shall not be considered independent:

(A) a trustee who is, or at any time during the past three years was, employed by the Company, by any subsidiary of the Company, or by the Foundation;

(B) a trustee who accepted or who has a Family Member who accepted any payments from the Company, any parent or subsidiary of the Company, or the Foundation, in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, or while serving as a member of the Board’s Audit Committee, accepts any consulting, advisory, or other compensatory fee from the Company or be an affiliated person (as defined in N.C.G.S. § 58-19-5) of the Company or any subsidiary of the Company, other than the following:

- (i) compensation for board or board committee service;
- (ii) compensation paid to a Family Member who is not an officer of the Company, a subsidiary of the Company, or of the Foundation; or
- (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.



(C) a trustee who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company, any subsidiary of the Company, or by the Foundation as an executive officer;

(D) a trustee who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization (*other than a provider of healthcare services for which the Company provides reimbursement*) to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 2% of the recipient's consolidated gross revenues for that year, or \$1,000,000, whichever is more, and, after consideration by the Board of the facts and circumstances regarding such relationship and payments and their potential impact on the independence of the trustee, the Board determines that the arrangement cannot be appropriately addressed through the implementation of a management plan in accordance with the Company's policies for managing conflicts of interest;

(E) a trustee who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serve on the compensation committee of such other entity;

(F) a trustee who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years; or,

(G) a trustee who is or has a Family Member who is an officer, director, or trustee of a charitable organization, and the discretionary combined charitable contributions of the Company and the Blue Cross and Blue Shield Foundation during such charitable organization's most recently completed fiscal year exceeds the greater of \$250,000 or 2% of that organization's total annual charitable receipts, and, after consideration by the Board of the facts and circumstances regarding such relationship and contributions and their potential impact on the independence of the trustee, the Board determines that the arrangement cannot be appropriately addressed through the implementation of a management plan in accordance with the Company's policies for managing conflicts of interest; provided, however, that the foregoing will not preclude a finding of independence due to service by a trustee as a director of the Foundation.

For purposes of the Policy, a "Family Member" will mean a trustee's spouse or domestic partner, as well as parents, grandparents, children and siblings, whether by blood, marriage or adoption; the spouses or domestic partners of any of the foregoing; anyone living in the trustee's household (other than a tenant or employee); and any other relationship that has been determined by the Company's Conflicts Committee and the Board to be a conflict of interest in accordance with the Company's policies for managing conflicts of interests.