

# Corporate Governance Guidelines

## *1. Role of the Board of Directors*

Humana's primary objective is to optimize stockholder value over the long term. The business of the Company is managed under the direction of the Board of Directors, which is elected by the stockholders. The basic responsibility of the Board is to exercise its business judgment to act in what each Director reasonably believes to be in the best interests of Humana and its stockholders. The Board selects the senior management team, which is responsible for the day-to-day conduct of the Company's business.

The Board of Directors has six scheduled meetings a year at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Special meetings are held as appropriate. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- selecting, evaluating and compensating the Chief Executive Officer of the Company (the "CEO") and overseeing CEO succession planning;
- providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
- reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- assessing major risks facing the Company and reviewing options for their mitigation; and

- ensuring processes are in place for maintaining the integrity of the Company: the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders.

## **2. Expectations for Directors**

The Board has developed a number of specific expectations of Directors to define their responsibilities and to promote the efficient conduct of the Board's business. It is understood that the non-management Directors are not full-time employees of the Company.

### **(a) Commitment and Attendance**

All Directors should make every effort to attend meetings of the Board and the Committees of which they are members and the Company's annual meeting of stockholders. Attendance by telephone or video conference may be used to facilitate a Director's attendance.

### **(b) Participation in Meetings**

Each Director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and the competition it faces, to ensure active and effective participation in the deliberations of the Board and of each Committee on which he or she serves. Upon request, management shall make appropriate personnel available to answer any questions a Director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its Committees and should arrive prepared to discuss the issues presented.

### **(c) Other Directorships and Significant Activities**

The Company values the experience Directors bring from other boards on which they serve and other activities in which they participate, but recognizes that those boards and activities may also present demands on a Director's time and availability and may present conflicts or legal issues, including independence issues. Directors should advise the chairperson of the Nominating & Corporate Governance Committee and the Chairman of the Board before accepting membership on other boards of directors or any audit committee or other significant committee assignment on any other board of directors, or establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the Director's relationship to the Company.

The Board has adopted a policy requiring that a director whose primary position or affiliations change must promptly notify the Board and the Nominating & Corporate Governance Committee of the change so that a determination may be made as to the value of their continued service on the Board.

## **3. Qualification of Board Members**

The Board will have a majority of Directors who meet the criteria for independence established by the New York Stock Exchange and, for the Audit and Organization & Compensation Committees, the criteria established by the Securities and Exchange Commission. The Organization & Compensation Committee members must also meet the independence criteria of the Internal Revenue Code. The Nominating & Corporate Governance Committee will review with the Board the requisite skills and characteristics for new Board members. This assessment will include members' qualification as independent as well as consideration of background, board skill needs, diversity and business experience. Additionally, nominees must agree to comply with the Company's Majority Vote Policy.

## 4. Selection of New Directors

The Board shall be responsible for selecting its own members. The Board delegates the screening process for new Directors to the Nominating & Corporate Governance Committee, with counsel from the Chairman of the Board, the Chief Executive Officer and outside consultants as appropriate. The Nominating & Corporate Governance Committee does not solicit Director nominations, but will consider stockholder recommendations sent to the Secretary of the Company at 500 West Main Street, 27th Floor, Louisville, KY 40202. Stockholder nominations for election to the Board of Directors is an area governed by specific provisions in the Company's Bylaws, a copy of which is available on the Company's web site at [www.humana.com](http://www.humana.com).

In connection with the selection and nomination process, the Nominating & Corporate Governance Committee shall review the desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current Board members and the specific needs of the Company and the Board. The Board will generally look for individuals who have displayed high ethical standards, integrity, and sound business judgment. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the Company.

## 5. Independence

The Board must determine the independence of its members. To be independent, a Director must meet the independence standards set out by the Securities and Exchange Commission, the New York Stock Exchange, and any other applicable regulatory body. Additionally, the Board must affirmatively determine that a Director has no material relationship with the Company, i.e., a relationship which could interfere with the Director's exercise of independent judgment. The Board's determination of each Director's independence will be disclosed annually in the Company's proxy statement.

## **6. Size of the Board**

The Company's Bylaws state that the Board shall consist of between three and fifteen members. The Board will assess its size from time to time.

## **7. Committees of the Board**

The Board will at all times have an Audit Committee, an Organization & Compensation Committee, and a Nominating & Corporate Governance Committee. All members of these committees will be independent Directors under the criteria established by the New York Stock Exchange and the Securities and Exchange Commission.

The Board may from time to time establish additional committees as necessary or appropriate. Committee members will be appointed by the Board. Consideration should be given to rotating committee members periodically, but rotation should not be mandated as a policy. Each committee will have its own charter. The charters will set forth the purposes of the committees as well as qualifications for committee membership.

## **8. Chairman**

The Chairman of the Board will be selected by the Board. The Board may select the Chief Executive Officer as Chairman if that is in the best interests of the Company at any given time.

## **9. Lead Director and Executive Sessions**

A Lead Director shall be appointed by, and from, the independent Directors to serve for a term which the Board believes to be in the best interests of the Company, and which term shall be no shorter than one-year. The Lead Director shall be responsible for coordinating the activities of the independent Directors and acting as the principal liaison to the Chairman and Chief Executive Officer for the views of, and any concerns and issues raised by, the independent Directors, though all Directors will continue to interact

one-on-one with the Chairman and Chief Executive Officer, as needed and as appropriate. The Lead Director convenes, sets the agenda for, and leads the independent Director non-management executive sessions held by the Board, and briefs the Chairman and Chief Executive Officer on any issues arising out of these sessions. The Lead Director presides at all meetings of the Board when the Chairman is not present. The Lead Director approves Board meeting agendas as well as the quality, quantity and timeliness of information sent to the Board. The Lead Director approves Board meeting schedules to assure that there is sufficient time for discussion of all agenda items. The Lead Director shall be available, at the request of the Board, to communicate directly with the stockholders of the Company and to perform such other tasks as may be assigned to him or her by the Board.

Non-management members of the Board shall regularly meet in executive session (without members of management being present). Additional executive sessions of non-management members of the Board shall be held as necessary or appropriate at the direction of the Lead Director. To the extent the group of non-management Directors includes Directors who are not independent, then at least once annually only independent Directors shall meet in executive session.

## **10. Orientation and Continuing Education**

The Company will conduct an orientation program for new Directors. The orientation will include presentations by senior management with respect to the Company's principal officers, strategic plans, financial reporting, ethics policies and codes of conduct, and its auditing processes. Board members may periodically attend seminars at the Company's expense. Directors shall also receive materials and briefing sessions as appropriate in order to continue to assist them in understanding and discharging their duties.

## **11. Compensation**

The Organization & Compensation Committee will periodically review the compensation of Directors and will make recommendations to the Board. In discharging this duty, the Organization & Compensation Committee shall be guided by three goals: com-

compensation should fairly pay Directors for work required in a company of Humana's size and scope; compensation should align Directors' interests with the long-term interests of stockholders; and the structure of the compensation should be simple, transparent and easy for stockholders to understand. It is the desire of the Board to attract and retain qualified members that satisfy the requirements set forth in these Corporate Governance Guidelines. The Organization & Compensation Committee may use outside consultants in the course of its periodic review of Director compensation.

## ***12. Agenda and Meetings; Board Information***

The Chairman, in consultation with the Lead Director, shall establish the agenda for each Board meeting. Each Board member may suggest the inclusion of items on the agenda. Each Board member may raise at any Board meeting subjects that are not on the Agenda.

## ***13. Access to Executive Officers and Independent Advisors***

Directors shall have full access to the Executive Officers of the Company to discuss any aspect of the Company's business. Directors shall also have complete access to other employees of the Company. The Board welcomes regular attendance at each Board meeting of Executive Officers and other members of senior management of the Company. In performing its functions the Board shall be entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. Except as otherwise provided in a charter of a Committee, the Board shall have the authority to select, retain, terminate and approve the fees and other retention terms of its outside advisors.

## 14. Ethics, Conflicts of Interest

### (a) Codes of Ethics

Humana has a comprehensive Code of Business Conduct and Ethics called The Humana *Principles of Business Ethics* approved by the Board (the “Code of Conduct”). Directors, as well as Officers and employees, are expected to act ethically at all times and to annually acknowledge their adherence to the policies comprising the Code of Conduct. The Company has also adopted a Code of Conduct for the Chief Executive Officer and Senior Financial Officers (the “Code of Ethics”).

### (b) Reporting Violations

In accordance with the terms of the Code of Conduct and the Code of Ethics, anyone who has a concern about suspected violations of the Code of Conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Presiding Director, to the non-management Directors, or to the Audit Committee. Such communications may be confidential or anonymous, and may be emailed, submitted in writing, or reported by phone to a special address or a toll-free phone number that is published on the Company's web site. Concerns relating to accounting, internal controls, auditing or Officer conduct may be sent to the Chair of the Audit Committee and will be simultaneously reviewed and addressed by the Company. Humana forbids retaliation against an employee who reports a violation or suspected violation of either Code based on a reasonable belief.

### (c) Waivers

A “waiver” is the approval of a material departure of a provision of either the Code of Ethics or the Code of Conduct. Any waiver or exception request to the Code of Conduct by an Executive Officer or Director shall be submitted to the Audit Committee in writing. The Audit Committee shall consider this request and make a recommendation to the full Board for decision. The Board shall

resolve any waiver or conflict of interest question involving the Directors or Executive Officers. The Board can secure any legal or other independent consultation they deem necessary to complete such consideration and decision.

## **15. Communications with Directors**

Interested parties may communicate with the Company's Chairman, Presiding Director or any other individual Director by writing to the special email address published on the Company's web site at [www.humana.com](http://www.humana.com). The Company may use the services of an outside vendor or the office of its General Counsel or Corporate Secretary to review correspondence received in this manner to filter advertisements, solicitations, spam and other such items.

## **16. Chief Executive Officer Evaluation**

The performance of the Chief Executive Officer will be reviewed by the Board at least annually. Such review will be coordinated with recommendations from the Organization & Compensation Committee with respect to long and short-term compensation goals and performance of the Chief Executive Officer.

## **17. Management Succession**

The Board shall develop and adopt a plan of succession for the Chairman and the Chief Executive Officer, in the event of either of their deaths, disability, removal or resignation. This plan will be reviewed by the Board periodically.

## **18. Board Evaluation**

The Chairman in consultation with the Nominating & Corporate Governance Committee shall coordinate an annual self-evaluation by the Directors of the Board's performance. The Nominating

& Corporate Governance Committee will receive comments from all Directors, which will be discussed with the full Board on an annual basis.

Each Committee will also conduct an annual evaluation of its member's performance on the Committee and make appropriate recommendations to the Board.