COMPENSATION COMMITTEE CHARTER

A. Composition.

The Compensation Committee (the “Committee”) shall be comprised solely of at least three (3) Directors, who shall be selected by the Board of Directors (“the Board”), and who shall continue as members of the Committee at the pleasure of the Board. The Committee shall be comprised solely of Directors who are independent. An independent Director is one who:

1. Has no personal services contract or material relationship with Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals or any of their subsidiaries (a “Kaiser entity”) except for Board service;

2. Is not a partner, executive officer, principal shareholder or director of any entity that (a) has a contract to provide goods or services to a Kaiser entity, and (b) receives more than 1% of its gross revenues from one or more Kaiser entities;

3. Is not currently and has not been for the past three years employed by a Kaiser entity;

4. Has not during the last three years been part of an interlocking directorate in which an executive of a Kaiser entity served on the compensation committee of another company that concurrently employs the director;

5. Has not during the last one year been affiliated with or employed as a corporate officer, partner, or an audit related employee by a present or former auditor of any Kaiser entity;

6. Is not a “family member,” as defined in Section 4958(f)(4) of the Internal Revenue Code, of any person described above ¹; and

7. Is free of any other relationship which would interfere with the exercise of independent judgment.

Notwithstanding the above, the Directors who are independent, after consideration of all of the relevant circumstances, may determine whether a relationship is material or immaterial and whether a Director would

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¹ Section 4958(f)(4) of the Internal Revenue Code defines “family member” as a person’s spouse; brothers or sisters (by whole or half blood); spouses of brothers or sisters (by whole or half blood); ancestors; children (including a legally-adopted child); grandchildren; great grandchildren; and spouses of children, grandchildren and great grandchildren.
therefore be considered independent. The Board of Directors shall document the basis for such a determination.

B. Authority and Duties.

The Committee will assist the Independent Directors of the Board in discharging its responsibility relating to (1) Board compensation, (2) executive compensation, and (3) compensation of the Chief Executive Officer (“CEO”). The Committee may independently obtain the assistance and counsel of compensation consultants and other outside advisors, at the company’s expense, as the Committee determines is appropriate and shall be solely responsible for selecting, retaining, approving the fees of, and terminating such consultants and advisors.

1. Board Compensation.
   a. Review and make recommendations to the Board regarding the form and amount of compensation of non-employee Directors.
   b. Periodically recommend to the Board a compensation philosophy for non-employee Directors and amendments thereto.

2. Executive Compensation.
   a. Review individual and organizational performance results and approve proposed changes in the annual compensation of executives and other disqualified person employees.
   b. Determine the reasonableness of total compensation payable to all disqualified person executives within the meaning of Section 4958 of the Internal Revenue Code.
   c. Periodically review and approve a compensation philosophy for executives.
   d. Review and approve all compensation and benefit plans for all executives, including disqualified person executives, including incentive and retirement plans, employment contracts, perquisites, severance arrangements, and other executive personnel policies. The Committee shall ensure that the relationship between pay and performance supports the Program’s performance objectives and fulfills the Program’s charitable mission.
   e. Review an annual report on Board and executive compensation prior to inclusion in the company’s Form 990 tax returns.
3. **CEO Compensation.**
   
   a. Recommend to the Independent Directors of the Board the CEO’s compensation and benefits based on the individual performance evaluation performed by the Executive Committee.
   
   b. Determine the reasonableness of total compensation payable to the CEO within the meaning of Section 4958 of the Internal Revenue Code.

4. **Other.**
   
   a. Review and approve the performance, compensation, appointment or replacement of the Vice President – Executive Compensation for the company.
   
   b. Meet periodically with the Senior Vice President – Human Resources and the Vice President – Executive Compensation.
   
   c. In keeping with the Corporate Governance Guidelines, the Committee may meet as appropriate in executive session.
   
   d. Review and assess the adequacy of the Committee Charter on an annual basis.
   
   e. The Committee may delegate authority to approve compensation for non-disqualified person executives in its discretion.

C. **Conduct of Business.**
   
   A quorum of the Committee shall consist of a majority of the Committee members. The Committee shall report to the Board regarding its recommendations, actions and decisions. The Committee shall annually assess and report to the Board on the performance and effectiveness of the Committee.