

HCF LIFE INSURANCE COMPANY PTY LIMITED

ABN 37 001 831 250

(the Company)

BOARD CHARTER

Board approval date: 29 July 2009

Review Dates: 26 May 2010

27 July 2011

1. INTRODUCTION

This Charter sets out the role and responsibilities of the Board of the Company in order to facilitate the sound and prudent management and governance of the operations of the Company by the Board in compliance with Prudential Standard LPS510 (the Standard) issued by the Australian Prudential Regulation Authority (APRA).¹

2. BOARD COMPOSITION

2.1 Number

To comply with the Standard, the Board must have a minimum of five directors² the majority of who shall be independent directors³. A majority of directors and all of senior management must be ordinarily resident in Australia.⁴ The Board has determined, for the present, the number of directors shall not be more than eight, the majority of who shall be independent directors.

2.2 Chairman

The Board Chairman shall be an independent director⁵ appointed by the Board and must not have been the Chief Executive Officer of the Company at any time during the past three years.⁶

However, if the position of Chief Executive Officer (or equivalent) is unexpectedly vacated, the chairperson may serve in the role for up to 90 days.⁷

2.3 Board skills

The Board shall be comprised of directors with a broad range of expertise and a balance of skills and experience including business, legal, life insurance, funds management and finance.⁸ In particular, the Directors shall have the skills, knowledge and experience for HCF Life's insurance business, to:

- a) understand collectively the risks to the life company;
- b) understand the insurer's legal and prudential obligations;
- c) oversee effectively the management of the life company; and
- d) contribute effectively to the Board's deliberations and processes.⁹

2.4 Independence

As prescribed by the Standard, directors shall be considered independent as long as they do not have any relationship or association with the Company that may interfere with the exercise of their independent judgment.¹⁰

¹ APRA Governance Standard – paragraph 4 & 5

² APRA Governance Standard – paragraph 14

³ APRA Governance Standard - paragraph 15

⁴ APRA Governance Standard – paragraphs 8 & 20

⁵ APRA Governance Standard - paragraph 16

⁶ APRA Governance Standard - paragraph 18

⁷ APRA Governance Standard - paragraph 18

⁸ APRA Governance Standard - paragraph 7

⁹ APRA Governance Standard - paragraph 7

¹⁰ APRA Governance Standard - paragraph 11

A Director shall not cease to be independent only because that Director is a director of the parent company or another subsidiary of HCF.¹¹

2.5 Criteria for Independence

The Company's Board has determined the criteria for deciding whether a director is independent. An independent director is a non-executive director who is free from any business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or adviser – that could materially interfere with the exercise of their independent judgement.¹² The circumstances that will not meet this test of independence include, but are not limited to, those set out below.

A director is not independent if the director:¹³

- 2.5.1** is a substantial shareholder of the life company or an officer of, or otherwise associated directly with, a substantial shareholder of the life company except where the director is an independent director of the parent company;
- 2.5.2** is employed, or has previously been employed in an executive capacity by the life company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- 2.5.3** has within the last three years been a principal of a material professional adviser or a material consultant to the life company or another group member, or an employee materially associated with the service provided;
- 2.5.4** is a material supplier or customer of the life company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- 2.5.5** has a material contractual relationship with the life company or another group member other than as a director.

For the purposes of paragraphs 2.5.3, 2.5.4 and 2.5.5, the Board has determined a relationship is material where the billings for or revenues from goods or services provided to the Company, during the past three years by the advisor, consultant, supplier or customer account for more than 5% of the gross revenue of the advisor, consultant, supplier or customer or its corporate group.¹⁴

2.6 Review of Independence

The Board shall review and make an assessment of the independence of each director annually.

¹¹ APRA Governance Standard - paragraph 27 - Independent Directors on the Board of HCF or its subsidiaries can also sit as independent directors on the Board of the life company.

¹² APRA Governance Standard - paragraph 11

¹³ APRA governance standard – Attachment A

¹⁴ HCF Constitution – Schedule 5 – paragraph 5

2.7 Review of Performance

Annually the Board shall evaluate its own performance relative to its objectives and the performance of individual directors,¹⁵ and may engage external consultants to facilitate Board and director reviews.

3. OBJECTIVES AND RESPONSIBILITIES

3.1 The Board is responsible for the overall governance of the Company including ensuring the continuity of the business and the long-term viability of the organisation.

The Board's specific objectives and responsibilities include:¹⁶

- Setting and monitoring the strategic direction, performance objectives, risk management strategy and policies for the Company;
- Reviewing, ratifying and overseeing the implementation of systems of risk management, regulatory compliance, internal control and codes of conduct;
- Allocating appropriate human and financial resources;
- Approving acquisitions and divestitures;
- Approving capital expenditure and monitoring the progress of capital projects;
- With the agreement of the parent company, appointing and removing the Managing Director;
- With the agreement of the parent company, appointing and removing external and internal auditors;
- Reviewing the financial statements and the Financial Condition Report of the Company;
- Monitoring senior management's performance against agreed criteria;
- Ensuring policyholders' interests are safeguarded;
- Ensuring solvency and capital adequacy standards set by APRA are maintained;
- Ensuring the integrity of financial statements;
- In consultation with and subject to the approval of the parent company, selecting fit and proper persons to act as directors and other persons to hold responsible persons positions, including filling any casual vacancy;
- Making key decisions in a timely manner;
- Ensuring HCF group policies and functions utilised by the company give appropriate regard to the company's business and its specific requirements.¹⁷

¹⁵ APRA Governance Standard – paragraph 77

¹⁶ APRA Governance Standard - paragraph 7

¹⁷ APRA Governance Standard - paragraph 28

3.2 Delegation

The Board may delegate its authority to management or Committee. Such delegation must be in clearly set out and documented in writing. The Board must:

- a) ensure there are procedures for it to monitor the exercise of delegations; and
- b) not abrogate its responsibilities through the use of delegations.¹⁸

4. MEETINGS

4.1 Frequency

The Board shall meet on at least 11 occasions throughout each year at appropriate intervals. Additional Board meetings may be convened as special meetings during the year, when required.

4.2 Quorum

The quorum for a Board meeting shall be three directors. The majority of directors present, and eligible to vote at all Board meetings, must be independent directors.¹⁹

4.3 Formalities

Meetings shall be formally structured, held in appropriate facilities with timely notice, agendas, supporting papers and minutes of prior meetings distributed sufficiently in advance.

4.4 Meetings in absence of Management

The independent directors shall meet in the absence of executive directors and management on at least two occasions each year.

The Board shall provide the Auditor and the Appointed Actuary with the opportunity to raise matters directly with the Board.²⁰

4.5 Code of Conduct

Directors shall observe the HCF Group Code of Conduct that sets out the ethical behaviour and professional conduct expected from all HCF colleagues and business partners including dealings with:

- Customers and consumers
- Suppliers
- Advisors and regulators
- Competitors
- The community
- Employees

¹⁸ APRA Governance Standard - paragraph 6

¹⁹ APRA Governance Standard - paragraph 15

²⁰ APRA Governance Standard - paragraph 10

No prospective, current, or former officer, employee or contractor (including professional service provider) of the company, shall be constrained or impeded, whether by confidentiality clauses or other means, from disclosing information to APRA, from discussing issues with APRA of relevance to the management and prudential supervision of the life company, or from providing documents under their control to APRA, that may be relevant in the context of the management or prudential supervision of the company.²¹

Such persons are not to be constrained or impeded from providing information to auditors, the Appointed Actuary and others, who have statutory responsibilities in relation to the company.

4.6 Time commitment

Each director shall ensure he/she devotes sufficient time to properly perform his/her duties to the Company, and to assist the Board in carrying out its responsibilities. Each director will be required to inform the Board of any appointment to another Board position, and to confirm annually to the Board, that the director is able to devote sufficient time and attention to the Board for the coming year.

Directors and senior management must be available to meet with APRA on request.²²

4.7 Induction training

Newly appointed/elected directors shall undertake the informal induction training provided by the Company including the extensive reading of relevant material, presentations by managers and visits to worksites.

4.8 Conflict of interest

In accordance with the Company's constitution, the *Corporations Act 2001* and current best practice, directors shall disclose to the Board details of transactions or relationships that may create a conflict of interest.

A director shall not be present during, or participate in discussions or voting on matters put before the Board in which he/she may have a material personal interest unless the other members of the Board otherwise decide.

Directors shall follow the Board's procedures to assist them in disclosing potential conflicts of interest.

4.9 Independent professional advice

Each director shall have the right to seek independent professional advice in relation to his/her role or responsibilities as a director of the Company, at the Company's expense, with the prior approval of the Chairman, which shall not be unreasonably withheld.

²¹ APRA Governance Standard - paragraph 79

²² APRA Governance Standard – paragraphs 9 & 63

5. BOARD COMMITTEES

- 5.1** The Board shall establish committees to assist it in discharging its responsibilities. The committees shall have written charters approved by the Board. The Board shall monitor the committees' performance and exercise of delegated authority on a regular basis. Committees established are the Audit Committee and the Risk & Compliance Committee.
- 5.2** The Audit Committee shall be established and have responsibilities and functions in accordance with the provisions of the *Life Insurance Act 1995* and the Standard.²³
- 5.3** The HCF Group Remuneration Committee is also established to assist with corporate governance of the Board in relation to remuneration.
- 5.4** The Board shall review the responsibilities, composition and performance of the Board Committees annually.

6. BOARD RENEWAL

- 6.1** As soon as practicable after the adoption of this Charter and every 3 years thereafter, the Board shall conduct in consultation with its parent company, a review and assessment of the composition of the Board, with a view to making such changes to its composition as considered appropriate and necessary to ensure its continued compliance with this policy, independence, expertise, independent thinking, openness to new ideas and responsiveness to change.²⁴
- 6.2** When conducting its review the Board shall give consideration to whether directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the company.²⁵
- 6.3** To assist in the Board renewal process, appointments to the Board will be made on a fixed term basis.

7. REVIEW OF CHARTER

- 7.1** The Board shall review this Charter annually. As part of its review the Board will ensure that the Charter complies with the Standard and current best practice governance principles.

²³ APRA Governance Standard – paragraphs 52-65

²⁴ APRA governance standard – paragraph 78

²⁵ APRA Governance Standard - paragraph 78