

HCF LIFE INSURANCE COMPANY PTY LIMITED

ABN 37 001 831 250

(the Company)

AUDIT COMMITTEE CHARTER

Board approval date: 23 September 2009
Review Dates: 26 May 2010
27 July 2011

1. Introduction

- 1.1 The Audit Committee (the Committee) is established as a committee of the Board of the Company on the terms set out in this Charter.
- 1.2 The Audit Committee has the responsibilities and powers set forth in this Charter.

2. Membership

- 2.1 The Committee shall comprise all the non-executive independent directors of the Company.¹ The criteria used in defining independence are set out in the HCF Life Board Charter.
- 2.2 The Committee shall be chaired by an independent director,² other than the Board chairman,³ who has leadership experience and a strong finance, accounting and/or business background.
- 2.3 The Committee has the functions and responsibilities set out in the *Life Insurance Act 1995* and Prudential Standard LPS510 (the Standard) issued by the Australian Prudential Regulation Authority (APRA).

All Committee members shall be financially literate.

At least one member shall have accounting and/or related financial management expertise.

3. Committee Objectives and Responsibilities

- 3.1 The Committee is responsible for formulating and oversight of the Company's financial and statutory reporting, internal control structure, risk management framework and systems, professional accounting requirements, the appointment of the Company's external auditor and the internal and external audit functions.⁴
- 3.2 The Committee is responsible for maintaining free and open communication between the Committee, external auditors, the internal auditors, Appointed Actuary and the management of the Company and shall likewise have free and unfettered access.⁵
- 3.3 The Committee is empowered to investigate any matter with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.⁶
- 3.4 The internal auditor shall have a direct reporting line and unfettered access to the Committee.⁷

¹ APRA Governance Standard - paragraph 54, the Committee must have at least 3 members, all members must be non-executive and a majority must be independent.

² APRA Governance Standard - paragraph 55

³ APRA Governance Standard - paragraph 56

⁴ APRA Governance Standard - paragraph 57

⁵ APRA Governance Standard - paragraph 61

⁶ APRA Governance Standard - paragraph 53

⁷ APRA Governance Standard - paragraph 65 & 67

4. Meetings

- 4.1 The Committee shall meet at least four times each year.
- 4.2 The quorum for Committee meetings shall be two members.
- 4.3 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 The Managing Director of the parent company, the General Manager of the Company, appropriate senior executives, the external auditor⁸, internal auditor, appointed actuary⁹ and other pertinent persons/advisors shall be invited to attend the Committee's meetings from time to time, by any member of the Committee, and given the opportunity to bring matters to the attention of the Committee.
- 4.5 The Committee shall meet in private session at least once each year to assess management's and the external and internal auditors' and appointed Actuary's effectiveness.
- 4.6 The Committee Chairman will meet with management, the internal and external auditors and Appointed Actuary as required, to seek points of clarification and information necessary to set Committee meeting agendas.
- 4.7 The Committee shall provide sufficient opportunity (on at least two occasions each year) for the external auditor, internal auditor, Appointed Actuary to meet privately with members of the Committee.

5. Knowledge of the business

- 5.1 Committee members shall ensure they understand the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the company.

6. Reporting Responsibilities

- 6.1 The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.¹⁰
- 6.2 The Committee will take appropriate actions to set the overall corporate standard for quality financial reporting, sound business risk practices, and ethical behavior.

7. Assessment of accounting, financial and internal controls

- 7.1 The Committee shall discuss with management, the internal auditors, appointed actuary and the external auditor, the adequacy and effectiveness of the accounting

⁸ APRA Governance Standard - paragraph 64APRA Governance Standard - paragraph 64

⁹ APRA Governance Standard - paragraph 64

¹⁰ APRA Governance Standard - paragraph 52

and financial controls. This discussion shall include the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (including the HCF Group Code of Conduct).

- 7.2 Any opinion obtained from the internal or external auditors on the Company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.
- 7.3 The Committee shall meet as required with management, the internal auditors, the external auditors and the Appointed Actuary to discuss issues and concerns warranting Committee attention, including but not limited to its assessment of the effectiveness of internal controls and any processes for improvement.
- 7.4 The Committee shall provide sufficient opportunity for the internal auditor, the external auditor and the appointed actuary to meet privately with the members of the Committee.¹¹
- 7.5 The Committee shall review with the external auditor and internal auditor any audit problems or difficulties and management's response.
- 7.6 The Committee shall receive reports from the external auditor and the internal auditor on any exceptions to the critical policies and practices of the Company and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

8. Appointment of external auditor¹²

- 8.1 The Committee is responsible for reviewing and making recommendations to the Board on the appointment, reappointment or replacement remuneration, monitoring of the effectiveness, and independence of the external auditor, including resolution of disagreements between management and the auditor regarding financial reporting.
- 8.2 The Committee shall approve all audit and non-audit services provided by the external auditor and shall not engage the external auditor to perform any non-audit/ assurance services that, in its opinion, may impair or appear to impair the external auditor's judgment or independence in respect of the Company.
- 8.3 The Committee may delegate approval authority of all audit and non-audit services by the external auditor to a member of the Committee.
- 8.4 The decisions of any Committee member to whom approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

9. Independence of the external auditor

- 9.1 The Committee shall review, assess and report to the Board annually on the independence of the external auditor, including but not limited to any relationships with the Company, or any other entity that may impair or appear to impair the external auditor's judgment or independence in respect of the Company and whether the auditor meets the Audit Independence tests set out in *APES 110 Code of Ethics for*

¹¹ APRA Governance Standard - paragraph 61

¹² APRA Governance Standard - paragraph 57

Professional Accountants and the auditor independence requirements of the APRA Standard.¹³

10. Scope of the external audit

- 10.1 The Committee shall discuss with the external auditor the overall scope of the external audit plan, including identified risk areas and any additional agreed-upon procedures.¹⁴
- 10.2 The Committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

11. Assessment of the internal audit

- 11.1 The Committee shall review the internal auditor's resources and ensure the adequacy, expertise and independence of the internal audit function.¹⁵
- 11.2 The Committee shall review and discuss the scope of the internal audit with the external and internal auditor, including the internal audit plan, work program, quality control procedures and the findings of the audits.¹⁶
- 11.3 The Committee shall ensure that issues brought to its attention will be managed and rectified in an appropriate and timely manner.¹⁷

12. Communications with employees

- 12.1 The Committee shall establish policies and procedures for the submission by employees on a confidential basis, the treatment of complaints and concerns regarding accounting, internal controls, compliance, audit, and other matters about which the employee has concerns. This shall include a process for ensuring employees are aware of these policies and procedures.¹⁸

13. Committee Performance

- 13.1 The Committee shall undertake an evaluation of its performance annually, to determine whether it is functioning effectively by reference to current best practice, and the Standard.

14. Review of Charter

- 14.1 The Committee shall review and, as appropriate, make recommendations to the Board on changes to this Charter annually.

¹³ APRA Governance Standard - paragraph 58, additional auditor independence criteria is detailed in APRA governance standard paragraphs 68 – 76

¹⁴ APRA Governance Standard - paragraph 59

¹⁵ APRA Governance Standard - paragraph 60

¹⁶ APRA Governance Standard - paragraph 59

¹⁷ APRA Governance Standard - paragraph 59

¹⁸ APRA Governance Standard - paragraph 62