

# **HCF LIFE INSURANCE COMPANY PTY LIMITED**

**ABN 37 001 831 250**

**(the Company)**

## **RISK & COMPLIANCE COMMITTEE CHARTER**

Board Approval Date: 23 September 2009  
Review Dates: 26 May 2010  
27 July 2011

## **1. INTRODUCTION**

This Charter governs the operations of the Risk & Compliance Committee of HCF Life Insurance Company Pty Limited.

## **2. ORGANISATION**

### **2.1 Membership**

The Risk & Compliance Committee comprises all the independent directors of the company. The criteria used in defining independence are set out in the Board Charter.

The Board believes its duties to its shareholder, policyholders, employees and business partners makes it inappropriate to delegate to a committee of only some of the independent directors the responsibility for such an important matter as regulatory compliance. Independent directors are therefore required to devote as much time and attention to compliance matters as a dedicated committee of publicly listed financial services companies.

The Committee will be chaired by an independent director other than the Chairman of the Board or Chairman of the Audit Committee.

The quorum for Committee meetings shall be two members.

### **2.2 Purpose**

The Risk & Compliance Committee shall provide assistance to the Board of directors in fulfilling its corporate governance and oversight responsibilities in relation to the company's regulatory compliance obligations and risk management framework.

In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, the Compliance Officer, the Risk Manager, external auditors, the internal auditors, Appointed Actuary and management of the company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention 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.

The Board is responsible for ensuring the Risk and Compliance Policy statements it approved are consistently observed, for appointing the Compliance Officer and the Risk Manager, and for monitoring legal compliance and the management of risk.

### **2.3 Meetings**

The Committee shall meet four times each year. The purpose of these meetings shall be to:

- 2.3.1 Review and note the Compliance Officer's and Risk Manager's report
- 2.3.2 Monitor the effectiveness of the company's risk management framework and compliance program including staff training
- 2.3.3 Confirm whether any significant compliance breaches or material risk incidents have occurred and ensure those identified, if any, are promptly rectified
- 2.3.4 Identify new or changed regulatory obligations
- 2.3.5 Allocate appropriate resources to ensure compliance and risk obligations are consistently met
- 2.3.6 Review and note complaints made to the Financial Ombudsman Service
- 2.3.7 Evaluate the composition and effectiveness of the Committee

The General Manager, Managing Director of the parent company, senior executives, external auditors, internal auditor, Compliance Officer, Risk Manager, Appointed Actuary and other pertinent persons/advisors shall be invited to attend the committee's meetings.

Meetings shall be formally structured, held in appropriate facilities with Agendas, supporting papers and Minutes of prior meetings distributed sufficiently in advance.

The Committee shall meet in private session at least annually in order to assess the effectiveness of management and the Compliance Officer and the Risk Manager.

The Committee shall provide sufficient opportunity (on at least two occasions each year) for the external auditor, internal auditor, Appointed Actuary, Compliance Officer and Risk Manager to meet privately with members of the Committee.

The Committee Chairman will meet with the Compliance Officer, the Risk Manager, management, the internal and external auditors and Appointed Actuary as required seeking points of clarification and information necessary to set Risk & Compliance Committee meeting Agendas.

### **3. DUTIES AND RESPONSIBILITIES**

#### **3.1 Understanding the business**

The Committee shall ensure it understands the company's structure, controls, types of transactions and regulatory obligations in order to adequately assess the significant risks faced by the company and the effectiveness of its compliance culture, programs and processes.

#### **3.2 Appointment of Compliance Officer**

The Committee shall approve the position description and key performance indicators of the Compliance Officer and the Risk Manager, review the criteria for selection of appropriate persons and recommend to the Board the appointment of the candidates it proposes.

#### **3.3 Oversight**

The primary responsibility of the Committee is to ensure that an appropriate framework of policies, procedures, internal controls, reporting, ethical standards and management accountability are established for risk management and regulatory compliance and consistently maintained.

This responsibility includes allocating appropriate resources to achieve the results targeted. It monitors the risk and compliance activities of management, reviews the periodical reports of the Compliance Officer and Risk Manager and investigates unresolved complaints.

The Committee reviews management's performance in observing the approved policies and executing the procedures as directed by the Committee, including nurturing a culture of risk and compliance throughout the company and embedding risk and compliance obligations in business processes wherever possible.

### **3.4 Communications with stakeholders**

The Committee shall review management's communications with regulators APRA, ASIC, FOS and relevant statutory returns.

The Committee shall review all representation letters signed by management to ensure that the information provided is appropriate. Also, the Committee shall discuss risk and compliance matters with the Risk Manager and Compliance Officer, the Appointed Actuary, the external and internal auditors on the results of the annual audit and any other risk and compliance matters required to be communicated to the Committee by the Risk Manager or Compliance Officer, external / internal auditors and the Appointed Actuary.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the company regarding regulatory compliance and the confidential, anonymous submission by employees of the company of concerns regarding questionable practices or occurrences. The Committee shall receive corporate legal reports of evidence of any material violation of the Corporations Act, Life Insurance Act, Privacy Act, and other relevant statutes or breaches of fiduciary duty.

The Committee shall report on its proceedings and make its recommendations to the Board of directors.

### **3.5 Primary Duty & Responsibility**

A primary action of the Risk & Compliance Committee is to construct the company's risk appetite for consideration by the Board. The Committee is also responsible for agreeing and recommending for Board approval a risk management framework consistent with the agreed risk appetite.

### **3.6 Committee Performance**

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.

### **3.7 Review of Charter**

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