

AUDIT AND FINANCE COMMITTEE CHARTER

**The Hospitals Contribution Fund of Australia Ltd
(ACN 000 026 746)**

**Transport Health Pty Ltd
(ACN 099 028 127)**

(the "Companies")

BOARD APPROVAL DATE: 7 DECEMBER 2023

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1. INTRODUCTION AND PURPOSE OF THIS CHARTER

The Audit and Finance Committee (**Committee**) has been established by the Boards of The Hospitals Contribution Fund of Australia Ltd (**HCF**) and Transport Health Pty Ltd (together, the **Companies**) to provide an objective, non-executive review of the effectiveness of the Companies' financial reporting, internal control and risk management framework in accordance with legislative and regulatory requirements.

The Boards authorise the Committee, within the scope of its responsibilities, to perform the activities identified in this Charter.

The Committee will report on its proceedings and make its recommendations to the Boards.

2. ROLE AND RESPONSIBILITIES OF THE COMMITTEE

2.1. ROLE

The principal role of the Committee is to assist the Boards in fulfilling their corporate governance and oversight responsibilities in objectively assessing the effectiveness of the Companies:

- a) financial reporting;
- b) external audit;
- c) internal audit;
- d) internal control; and
- e) Appointed Actuary.

The Committee also plays a role in reviewing the Companies' compliance with, and effectiveness of, the risk management framework by receiving such reports annually from internal and/or external audit. The Risk, Compliance and Sustainability Committee remains responsible for general oversight and monitoring of risk management activities, receiving the results of the three-yearly comprehensive review of the risk management framework and recommending relevant changes to the Boards.

2.2. RESPONSIBILITIES

The Committee's responsibilities include:

2.2.1 Financial Reporting

- a) reviewing financial reports and financial statements for compliance with accounting standards and policies and other statutory requirements relating to the preparation of financial reports and assessing whether the financial reports are consistent with the Committee members' information and knowledge, to be recommended to the Boards;
- b) reviewing the appropriateness of the accounting policies adopted by management in relation to the financial reports;
- c) reviewing and making recommendations to the Boards regarding significant financial, accounting and reporting issues;
- d) discussing any significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practices with the external auditor and if necessary, the Boards;
- e) reviewing all representation letters signed by management to confirm that the information provided is appropriate;
- f) reviewing the effectiveness of the Companies' financial reporting framework and supporting policies and controls to maintain the integrity of the Companies' financial statements.

2.2.2 External Audit

- a) annually considering and making recommendations to the Boards on the appointment, reappointment, rotation of the lead audit partner or replacement of the External Auditors as well as assessing the adequacy, expertise and competency of the External Auditor;
- b) reviewing the terms of engagement and fees of the External Auditor at the start of each audit;

- c) reviewing the scope and plan for the annual external audit to assess whether it covers all material risks and financial reporting requirements;
- d) review and oversee reports issued by the External Auditor on the Companies' financial statements and other activities and monitor appropriate and timely rectification of any issues therein;
- e) reviewing the findings of the audit with the External Auditor and management's response to maintain that issues are addressed in an appropriate and timely manner;
- f) reviewing the External Auditor's engagement annually and being satisfied that the auditor is independent as defined in Part 2M.4 of the *Corporations Act 2001*, and meets the auditor independence requirements of any other applicable regulatory or professional standards;
- g) approving any engagement of the External Auditors for non-audit related services up to a limit of the cumulative value of 70% of the average of the last three years audit fees. The Committee will not approve the engagement of the External Auditor to perform any non-audit or assurance services that, in its opinion, may impair or perceive to impair the External Auditor's judgment or independence in respect of the Companies;
- h) The Committee delegates authority to the Committee Chair to approve services in relation to section (g) above when timing is not aligned to Committee meetings. Any non-audit related services approved by the Committee Chair will be tabled and the decision ratified at the next Committee meeting. Annually, the Committee will review and approve the schedule of non-audit services.
- i) monitoring that APRA is notified as soon as practical, and no more than ten business days, following the removal of the External Auditor.

2.2.3 Internal Audit

- a) approving the scope of the internal audit plan and annually reviewing the plan to assess whether it covers, in conjunction with the external audit plan, all material risks and financial reporting requirements;
- b) reviewing the Internal Auditor Charter and monitoring that quality control procedures are clearly documented;
- c) reviewing the Internal Auditor's reports on significant findings and recommendations on internal control and management's response to maintain that issues are addressed in an appropriate and timely manner;
- d) monitoring that the internal audit function, whether insourced or outsourced, is adequately resourced and skilled for the size and corporate complexity of the Companies;
- e) reviewing the performance, expertise, objectivity, independence and effectiveness of the internal audit function;
- f) assisting the Boards to be satisfied that the internal audit function is independent and that internal audit processes are clearly documented and subject to regular review and that the internal audit function has unfettered access to all business operations of the Companies;
- g) reviewing and recommending to the Boards the position description and key performance indicators of the Head of Internal Audit (currently outsourced to PwC), reviewing the criteria for selection and recommending to the Board the appointment and removal of candidates/firms for the role of Head of Internal Audit. If the internal audit function is outsourced the scope and responsibilities of the Head of Internal Audit are outlined in the applicable Agreement between the HCF and the outsourced internal audit service provider;
- h) monitoring that APRA is notified as soon as practical, and no more than ten business days, following the removal of the Head of Internal Audit.

2.2.4 Internal Control

- a) overseeing that management has appropriate processes for identifying, assessing and responding to financial risks in a manner that is in accordance with the Companies risk appetite, and that those processes are operating effectively;
- b) evaluating the controls and processes implemented by management to oversee that the financial systems comply with relevant standards and requirements, and are subject to appropriate management review;
- c) consider whether management has implemented recommendations made by the internal and external auditors.

2.2.5 Appointed Actuary

- a) reviewing the assessment by the Appointed Actuary of actuarial and other matters related to the overall financial condition of the Companies (Financial Condition Report) on an annual basis and management's response to monitor that issues are addressed in an appropriate and timely manner. The annual Financial Condition Report is to be recommended to the Boards for approval;
- b) annually considering and making recommendations to the Boards on the appointment, reappointment or replacement of the Appointed Actuary as well as assessing the adequacy, expertise and competency of the Appointed Actuary;
- c) reviewing the terms of engagement and fees of the Appointed Actuary as required;
- d) reviewing the scope and annual work plan of the Appointed Actuary;
- e) reviewing reports of the Appointed Actuary and overseeing that all issues are being managed in an appropriate and timely manner.

2.2.6 Other

- a) monitoring all APRA statutory reporting requirements;
- b) reviewing the results of the annual review performed by internal and/or external audit of compliance with, and the effectiveness of, the risk management framework, which are required to be reported to the Committee;
- c) monitoring that policies and procedures are maintained for employees to submit, confidentially, information about accounting, internal control, compliance, audit, and other matters about which an employee may have concerns;
- d) monitoring that there is a process so that employees are aware of such policies and for dealing with matters raised by employees under these policies.

3. ROLE OF THE CHAIR

The Chair is responsible for:

- a) providing appropriate leadership to the Committee;
- b) setting the agenda, style and tone of Committee discussions;
- c) facilitating Committee discussions to address core issues within the Committee's scope and referring such to the Boards (where required) and that adequate meeting time is allocated for consideration of all issues;
- d) monitoring the performance of the Committee; and
- e) liaising with any person as deemed necessary to assist with fulfilling the responsibilities of the Committee.

4. ROLE OF COMMITTEE MEMBERS

Committee members are responsible for:

- a) understanding the Companies structure, controls and types of transactions in order to adequately assess the significant financial risks faced by the Companies;
- b) understanding the management responsibilities, performance measures, business objectives and operating environment of the Companies;
- c) disclosing to the Committee any actual or potential conflict of interest (including details of transactions and relationships) that may exist or might reasonably be thought of to exist in relation to their role and responsibilities as a Committee Member as soon as the situation arises and if deemed desirable by the Committee, take such steps as necessary and reasonable to resolve any conflict within an appropriate period;
- d) opting for non-participation in discussion and voting on any issue for which the Committee member has an actual or potential conflict of interest;
- e) devoting as much time and attention to the Committee for it to carry out its responsibilities; and
- f) making themselves available to meet with any regulator (including APRA) on request.

5. ROLE OF MANAGEMENT

5.1. PRIMARY RESPONSIBILITY

Management is responsible for:

- a) the preparation, presentation and integrity of the financial reports and statements of the Companies;
- b) implementing, managing and maintaining prudentially compliant accounting and financial reporting; and
- c) maintaining sufficient knowledge, skills and expertise within the internal audit function.

5.2. COMMUNICATION

The Chief Financial Officer (and other members of the management team, as appropriate), Head of Internal Audit, External Auditor and the Appointed Actuary are responsible for facilitating that all financial and accounting matters are appropriately communicated to the Committee.

The Head of Internal Audit and the Chief Risk Officer (and other members of the management team, as appropriate), are responsible for facilitating that all matters that fall within the scope of their respective responsibilities are appropriately communicated to the Committee.

6. COMMITTEE STRUCTURE

6.1. COMPOSITION

The Committee will be comprised of at least three directors, all of whom must be Non-executive Directors.

All Committee members shall be financially literate. At least one Committee member shall have accounting and/or related financial management expertise.

A majority of members must be independent. The criteria used in defining independence are set out in the Companies' Board Charter. All appointments (including that of the Chair) and rotations will be determined by the Board.

6.2. CHAIR

The Chair of the Committee will be appointed by the Boards.

The Chair must be an Independent Director and must not be the Chair of the Boards.

The Chair should have leadership experience and a strong finance, accounting and/or business background.

The Committee may elect from any Independent Director member of the Committee a temporary Chair for the duration of any meeting of the Committee where the Chair is not present.

6.3. ATTENDANCE AT MEETINGS BY NON-MEMBERS

All Directors of the Boards are entitled to receive Committee papers and can attend the Committee as an invitee, subject to there being no conflict of interest. They are entitled to ask questions and express their views but are not entitled to vote.

The Committee must invite the auditor and the Appointed Actuary, as applicable, to meetings of the Committee. Other persons/advisers may be invited to attend the Committee's meetings from time to time, by the Committee via the Chair.

7. CONDUCT OF COMMITTEE BUSINESS

7.1. FREQUENCY OF MEETINGS

The Committee will meet as frequently as required to perform its role but at least four times each year.

7.2. QUORUM

The quorum for Committee meetings will be two members.

7.3. SECRETARY

The Secretary of the Committee will be the Company Secretary of the Boards.

7.4. CONDUCT OF MEETINGS

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

The Committee will meet in private session at least once each year to assess the effectiveness of management, the Internal and External Auditors and the Appointed Actuary.

The process for preparation and approval of minutes and the security and retention of papers is set out in the HCF Director Board/Committee Papers and Minutes Policy.

7.5. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Committee will at all times have:

- a) free and unfettered access to the Internal and External Auditors, senior management, Chief Risk Officer and the Appointed Actuary, and vice versa; and
- b) unrestricted access to resources and information the Committee considers relevant to its responsibilities.

The Committee will provide sufficient opportunity (on at least one occasion each year) for the External Auditor, Head of Internal Audit, Chief Risk Officer and the Appointed Actuary to meet privately with members of the Committee. The Committee will monitor that the External Auditor, Head of Internal Audit, Chief Risk Officer and Appointed Actuary have unfettered access to raise matters directly with the Boards or the Committee at any time.

The Committee may seek independent professional advice, at the expense of the Companies, if it is considered necessary for the proper performance of the Committee's responsibilities. The Chair of the Committee and the Secretary will facilitate the procurement of any such advice.

The Head of Internal Audit has a direct reporting line and unfettered access to the Committee, in addition to the agreed executive reporting line.

7.6. DELEGATION TO ACT

The Committee may, in its discretion, delegate some or all of its duties and responsibilities to the Chair of the Committee or the Chair of the Boards and may delegate any of its duties and responsibilities to a sub-committee of the Committee.

8. REPORTING

The Committee will make a copy of its minutes available to the Boards and will:

- a) through its Chair, regularly update and make recommendations to the Boards on matters falling within the scope of its role and responsibilities; and
- b) through its Chair, report to the Boards on any matters before the Committee that may materially impact the financial condition or affairs of the Companies.

9. EVALUATION OF COMMITTEE PERFORMANCE

The Committee must perform an evaluation of its performance at least annually to determine whether it is functioning effectively and meeting the terms of this Charter and will report the outcome of the evaluation to the Boards.

10. REVIEW OF CHARTER

The Committee will review this Charter on an annual basis and, as appropriate, make recommendations to the Boards on appropriate amendments.

I confirm that I have reviewed this Charter and am satisfied that it captures all operational and regulatory requirements.

TITLE	DATE	SIGNATURE
Chief Financial Officer	16 November 2023	<i>Harry Robertson</i>
Head of Legal & Compliance	16 November 2023	<i>Stuart Barnard</i>
Company Secretary	16 November 2023	<i>Nathan Francis</i>

Do you have a question? Contact the HCF Company Secretary Team:



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