SUSTAINABILITY REPORT FINANCIAL YEAR 2025–26

HCF



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ABOUT US

The Hospitals Contribution Fund of Australia Ltd (HCF) is Australia's largest not-for-profit health fund, dedicated to protecting and improving the health and wellbeing of our more than two million members across health, life, travel, pet, home and car insurance.

As a member-owned fund, we're driven by a guiding principle: putting members first. Every strategic decision and investment is directed towards delivering meaningful value to our members. This is reflected in HCF paying out more in member benefits for every premium dollar, compared to the industry average, based on publicly reported industry data.

HCF continues to be a leading choice for Australians seeking trusted, high-quality coverage, recognised by Canstar as providing Outstanding Value Health Insurance for 10 consecutive years.

We're also committed partners in our members' long-term health journeys, providing evidence-based programs that address mental wellbeing, chronic disease management and family nutrition.

By expanding our hospital and extras networks and pioneering care-at-home models, we remain dedicated to enhancing affordability, reducing out-of-pocket costs, and providing members with greater flexibility and control over how and where they receive care.

Our purpose extends beyond insurance. As we expand our social mission to build healthier communities, our major partnerships aim to contribute to meaningful and positive impact in communities across Australia. Through our Royal Flying Doctor Service partnership, we're working to reduce barriers to healthcare access in rural and remote communities. Similarly, our investment in The Smith Family is helping to break the cycle of disadvantage and improve the long-term health trajectories of young Australians. Through our partnership with Netball Australia, we aim to improve the health and wellbeing of all Australians, particularly women and girls, by empowering them to stay active in sport and lead healthier lives.

A healthy planet is crucial to our own health and wellbeing, which is why we're looking to reduce our environmental impact. We acknowledge the growing threat of climate change on people's health and lives, and we support the transition to a low-carbon economy and are working to reduce our environment impact where we have direct control or influence. Our sustainability priorities help ensure we continue delivering sustainable, high-quality healthcare access for our members and the broader Australian community, now and into the future.

ABOUT THIS REPORT

This report represents the climate-related disclosures for HCF and its controlled entities[1] (the Group or HCF) for the financial year ended 30 June 2026 (FY26). The report has been prepared in accordance with AASB S2 Climate-related Disclosures (AASB S2) issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

This report has been prepared for the same consolidated reporting entity and reporting period as HCF's Consolidated Financial Statements (refer to "Basis of consolidation" on page 20 in the financial statements), available on our **website.**

As this is the Group's first year applying AASB S2, we have applied the transition relief available under the standard, specifically relief from the requirements to disclose comparative information and the Group's Scope 3 Greenhouse Gas (GHG) emissions information.

Where this report includes estimates, assumptions or forward-looking information, we explain the basis for those judgements and the key sources of uncertainty.

All currency amounts are in Australian dollars, unless otherwise stated.

[1] The consolidated entity, consisting of The Hospitals Contribution Fund of Australia Ltd and its subsidiaries. HCF has wholly-owned investments in HCF Life Insurance Company Pty Ltd, including its subsidiary Flip Insurance Pty Ltd ('Flip Insurance'), Manchester Unity Australia Pty Ltd, and Railway and Transport Health Fund Pty Ltd.



DIRECTOR'S DECLARATION

In the opinion of the directors of The Hospitals Contribution Fund Limited (the Company) (HCF), I state that the Company has taken reasonable steps to ensure that the substantive provisions of the Sustainability Report of the Company and its subsidiaries (collectively the Group) for the year ended 30 June 2026 are in accordance with the *Corporations Act 2001*, including:

(a) Complying with Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* and any further requirements determined under section 296C(2) of the *Corporations Act 2001*; and

(b) Containing the climate statement disclosures required by section 296D of the *Corporations Act 2001*.

Made in accordance with a resolution of the directors of HCF pursuant to section 296A(6) of the *Corporations Act 2001*, as modified by section 1707C(2) of the *Corporations Act 2001*.

On behalf of the Board

Annette King
Chair
3 September 2026



FORWARD-LOOKING STATEMENTS AND THE UNCERTAINTY INHERENT IN CLIMATE CHANGE

This report contains forward-looking statements about HCF's strategy, business operations and targets and forward-looking climate-related information prepared in accordance with AASB S2.

Such statements involve inherent uncertainties and assumptions, developing standards and methodologies and known and unknown risks, many of which are outside HCF's control and may cause actual results to differ materially from those expressed in the report.

HCF has taken reasonable steps to provide forward-looking information, including scenario analysis, transition and physical risk assessments, and projected achievement against targets, in accordance with AASB S2 and based on reasonable estimates and assumptions, as at the date of preparation.

HCF does not undertake to release publicly any revisions to any forward-looking statements to reflect new information, future events or circumstances, except as required by law.

VALUE CHAIN ESTIMATES

In assessing the Group's climate-related risks and opportunities (CRROs), HCF has considered the upstream and downstream value chain using reasonable and supportable information that was available without undue cost or effort.

The Group has utilised data collated from across its value chain to disclose quantitative GHG metrics and financial effects. In instances when quantitative metrics and amounts cannot be measured directly, the Group has estimated value chain metrics using internal and external information that is available.

Examples of where value chain estimates may be used include estimating emissions or financial impacts where primary data is not available, for instance using published research findings as an assumption when modelling the impact of climate-related risks or opportunities.

We are committed to continuously improving the quality and completeness of value chain information. Over time, we expect to increase our use of primary data by engaging with key suppliers and service providers and by improving our internal systems and data processes.



TARGETS AND METRICS

We measure our GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol) and reflected in AASB S2:

SCOPE 1

Scope 1 emissions refer to the GHG emissions released from sources that are owned or controlled by the Group, including transport fuel, refrigerants, stationary energy from natural gas and diesel, and anaesthetic gas used in HCF Dental Centres.

SCOPE 2

Scope 2 emissions are the indirect GHG emissions associated with the consumption of purchased electricity, steam, heating or cooling. HCF measures these emissions using both the location-based method, which reflects the average emissions intensity of the local grid, and the market-based method, which accounts for specific electricity purchases, such as renewable energy contracts.

SCOPE 3

Scope 3 emissions are all indirect emissions (not included in scope 2) that occur up and downstream in the Group's value chain.

HCF has adopted the operational control approach to define our organisational boundary, where we report 100% of emissions from the operations where we can set operating policies.

In assessing operational control, HCF has concluded that it only has operational control over the entities listed as controlled in the 'About this Report' section of our **FY26 Financial Report** (page 20). Emissions are presented on the basis of the consolidated accounting group, and there are no other investees (such as joint ventures or uncontrolled entities).

HCF has adopted the transition relief available in AASB S2 to not disclose Scope 3 GHG emissions in the first year of reporting. While HCF has continued to internally measure Scope 3 GHG emissions in FY26, we are utilising the relief period to strengthen our underlying data, estimation methodologies and processes, in line with reporting expectations for future disclosure periods.

SCOPE 1 & 2 TARGETS

The Group achieved net zero emissions for Scope 1 and Scope 2[2] emissions on a net basis, including the use of carbon offsets in FY25, marking a significant milestone in its sustainability journey. HCF has committed to maintain net zero position for Scope 1 and 2 emissions on a continuing basis.

NET ZERO IN SCOPE 1 AND 2 EMISSIONS	
Metric	Maintain carbon neutrality for the defined scope of emissions.
Scope	Operational boundary, Scope 1 and Scope 2 (market-based).
Period	1 July 2025 – 30 June 2026.
Carbon credits	Remaining emissions are offset using certified instruments to achieve net zero. Refer to page 10 for more detail on offsets used this period.
Alignment with jurisdictional commitment	Informed by the latest international climate agreements (Paris). The target does not refer to a sectoral decarbonisation pathway. The alignment with jurisdictional commitments has not been validated by a third party.
Review and monitoring process	Achievement each year is monitored by Management and the HCF Board (Board) as outlined on pages 11-12.
Revisions	No revisions have been made to the target in this reporting period.

SCOPE 3 TARGETS

As noted earlier in this report, HCF has adopted the transition relief available in AASB S2 to not disclose Scope 3 emissions in the first year of reporting to strengthen our underlying data, estimation methodologies and processes. As part of this review, we will establish new baselines for Scope 3 targets, against which progress will be measured in future years.

NET ZERO IN DEFINED SCOPE 3 EMISSIONS BY 2040	
Metric	Emissions reduction to net zero for the defined scope of emissions.
Scope	Scope 3 value chain emissions in categories 1-14. This target excludes: • emissions from investments (Scope 3, category 15) which have a separate target detailed below. • emissions from hospital, medical, ancillary and other health services related to member claims (insurance-associated emissions).
Period	FY40.
Carbon credits	No offsets were applied to Scope 3 emissions in this reporting period. HCF will evaluate the potential role of offsets over future reporting periods.
Alignment with jurisdictional commitment	Informed by the latest international climate agreements (Paris). The alignment with jurisdictional commitments has not been validated by a third party. The target does not refer to a sectoral decarbonisation pathway.
Review and monitoring process	Progress to the target is monitored by Management and the Board as outlined on pages 11-12. There are currently no interim targets. This will be reviewed in FY27.
Revisions	No revisions have been made to the target in this reporting period.

[2] Scope 2 emissions measured using the market-based method.

NET ZERO IN SCOPE 3 INVESTMENTS BY 2050 (OR SOONER)	
Metric	Emissions reduction to net zero for Scope 3, Category 15 emissions by 2050.
Scope	Scope 3, Category 15 emissions related to investments managed by our Investment Manager, or managed directly by HCF, that have an internationally recognised methodology for measurement e.g. Partnership for Carbon Accounting Fundamentals (PCAF).
Period	FY50.
Carbon credits	No offsets were applied to Scope 3, Category 15 emissions in this reporting period. HCF will evaluate the potential role of offsets for residual emissions closer to the target date.
Alignment with jurisdictional commitment	Informed by the latest international climate agreements (Paris). The alignment with jurisdictional commitments has not been validated by a third party. The target does not refer to a sectoral decarbonisation pathway.
Review and monitoring process	Progress towards the target is monitored by HCF's appointed Investment Manager and reported to Management and the Board as outlined on pages 11-12. HCF does not currently set its own interim targets. This will be reviewed in FY27.
Revisions	No revisions have been made to the target in this reporting period.

OTHER RELEVANT TARGETS

By 2040, HCF aims to invest 5% of its investment portfolio in climate and transition solutions, which equates to about $153 million today.

INVEST 5% OF HCF INVESTMENT PORTFOLIO IN CLIMATE AND TRANSITION SOLUTIONS BY 2040	
Metric	Funds invested in climate and transition solutions, as a percentage of total investment portfolio.
Scope	Investment funds managed by HCF's Investment Manager or managed directly by HCF. Exposures that count towards this target have economic activities that contribute to the removal or reduction of real-economy GHG emissions (mitigation and transition) or reduce a population's vulnerability to climate change (adaptation).
Period	FY40.
Carbon credits	Not applicable.
Alignment with jurisdictional commitment	Not applicable. The target does not refer to a sectoral decarbonisation pathway.
Review and monitoring process	Progress towards the target is monitored by HCF's appointed Investment Manager and reported to Management and the Board as outlined on pages 11-12. There are currently no interim targets. This will be reviewed in FY27.
Revisions	No revisions have been made to the target in this reporting period.

FY26 GHG PERFORMANCE

HCF first measured Scope 1 and Scope 2 GHG emissions in FY22. Since then, HCF has uplifted its data quality, reduced reliance on estimations, implemented several energy efficiency initiatives and significantly expanded its use of renewable electricity. The Group first achieved net zero emissions for Scope 1 and Scope 2 GHG emissions in FY25, marking a significant milestone, and has committed to maintain this each year.

During FY26, HCF continued to implement energy and emissions reduction initiatives across its operations. This included initiatives such as upgrades to heating, ventilation and cooling systems at HCF House to drive reductions in energy consumption, and LED lighting upgrades. We purchase high-quality carbon credit units to offset remaining emissions (as detailed below).

Table 1 shows our Scope 1 and Scope 2 GHG emissions for FY26 on a gross basis and after offsets have been applied. Details on calculation methodology and uncertainties are shown in Appendix A.

Table 1: HCF gross and net GHG emissions tCO_2e

CATEGORY	FY26 GROSS EMISSIONS	FY26 NET EMISSIONS*
Refrigerants	79.3	Nil
Stationary fuels	18.3	Nil
Transport fuels	6.9	Nil
Anaesthetic gas in HCF Dental Centres	11.8	Nil
Total Scope 1	**116.3**	**Nil**
Electricity (market-based method)	Nil	Nil
Electricity (location-based method)	2,434.4	n/a
Total Scope 1 and 2 (market-based method)*, net zero target	**116.3**	**Nil**

* Refers to position after purchasing eligible carbon offsets for residual Scope 1 emissions and using renewable electricity instruments such as large-scale generation certificates (LGCs) for Scope 2 emissions. Rounded to the nearest decimal point.

USE OF CARBON CREDITS AND CARBON PRICING

HCF has voluntarily purchased Australian Carbon Credit Units (ACCUs) to offset Scope 1 emissions. These credits are sourced from the Mapoon Carbon Project (Qld), which is a savanna fire management project, helping to provide employment and resources that allow Traditional Owners to care for their country using a blend of traditional ecological knowledge and modern technology. The ACCUs were created in 2025 and surrendered to the Clean Energy Regulator in 2026 and have been permanently removed from the market so they can no longer be traded.

Where available, HCF purchased certified 100% GreenPower through our electricity retailers. We used LGCs sourced from solar energy projects across multiple Australian states to address the remaining portion of purchased electricity not covered by GreenPower. These certificates were created and accepted for voluntary surrender by the Clean Energy Regulator in 2026 under section 28A of the *Renewable Energy (Electricity) Act 2000* and have therefore been permanently removed from the market so they can no longer be traded.

HCF does not currently use internal carbon pricing in decision making.



GOVERNANCE

HCF BOARD OVERSIGHT AND KEY ACTIVITIES

In accordance with its **Charter**, the Board has ultimate responsibility for setting and overseeing the Group's strategy, business plans, annual budgets and risk management approach. This includes overseeing measures to advance HCF's purpose and sustainability focusing on environmental, social, health and wellbeing and governance matters, while ensuring integration into HCF's long-term corporate strategy and risk management framework (RMF). The HCF Board is the governance body responsible for the oversight of CRROs.

The Board is supported by Committees, as outlined below. Each Committee operates under a formal charter that outlines its scope of authority and decision-making responsibilities related to climate governance. Committee Charters and the FY26 Corporate Governance Statement, which has further details about our governance structures, are available **on our website**.

HCF BOARD

Oversees climate-related risks and opportunities, approves policies, risk appetite, strategy, climate-related commitments and targets, and external climate disclosures.

Risk Compliance & Sustainability Committee (RCSC)

[Meets 4 times a year]

Provides oversight of sustainability. Sets direction, recommends climate-related targets and monitors progress, embeds climate and social risks in strategy and risk settings. The Committee reviews annual audits of the RMF.

Audit & Finance Committee

[Meets 4 times a year]

Oversees sustainability reporting by monitoring compliance, reviewing Sustainability Reports, and recommending external sustainability disclosures (aligned with reporting standards) to the Board for approval. Oversees independent assurance over the Sustainability Report.

Investment Committee

[Meets 4 times a year]

Approves and monitors progress towards climate-related investment targets by reviewing reports from HCF's Investment Manager. Reviews HCF's Responsible Investment Policy, which sets out our responsible investment approach.

People, Culture & Remuneration Committee (PCRC)

[Meets 4 times a year]

The PCRC approves the remuneration and incentive structures for management, including the balanced scorecard, as outlined on page 12.

EXECUTIVE AUDIT, RISK & COMPLIANCE COMMITTEE

Oversees sustainability initiatives and responsible for integrating environmental considerations into the RMF, ensuring CRROs are effectively identified, assessed and managed. They receive performance reports on operational emissions and review climate-related risks annually.

In FY26, the RCSC discussed climate-related matters three times. The Board participated in climate-related discussions on two occasions. This included review of a scenario informed climate-related risk and opportunity assessment and the Group's performance against climate targets. These considerations are integrated into the Board's oversight of the Group's strategy, major decision-making and RMF.

In doing so, the Board evaluates the potential impacts of CRROs on strategic priorities, investment decisions and risk settings, and considers trade-offs associated with climate risk and opportunities in the holistic context of HCF's strategy, commercial and regulatory considerations, and the expectations of HCF members and stakeholders.

The Committees review and approve proposals from Management and make recommendations to the Board regarding climate-related matters within their scope, as outlined in the above diagram. Board and Committee papers are prepared by Management or by external experts, where appropriate.

The Chair of each Committee will report any matters of substance, including climate-related matters, to the next Board meeting and minutes of all Committee meetings are circulated to the Board. The Chair of the Board and other Directors may attend Committee meetings and receive Committee papers.

MANAGEMENT ACCOUNTABILITY

The HCF Board delegates the day-to-day execution of strategy, including climate-related matters, to appointed management roles through clearly defined role descriptions and mandates. These responsibilities are embedded within HCF's governance framework and are subject to oversight through the Board's established committees.

The Chief Executive Officer (CEO) is supported by a team of senior executives who are accountable for implementing climate-related strategies and ensuring alignment with HCF's sustainability objectives. Key roles in the executive management of climate-related matters include:

- **Chief Financial Officer (CFO):** Responsible for integrating climate considerations into financial and strategic decision-making. The CFO oversees the implementation of climate-related strategies, monitors progress toward climate targets and ensures relevant performance metrics are incorporated into business planning and reporting.
- **Chief Risk Officer (CRO):** Oversees the identification, assessment, and management of climate-related risks within the broader enterprise RMF. The CRO ensures climate risks are appropriately reflected in HCF's risk appetite and mitigation strategies.
- **Chief Officer People & Culture (CPCO):** Responsible for the remuneration framework and how climate-related activities are incorporated.
- **General Manager Finance & Sustainability:** Leads coordination of climate-related reporting and disclosure processes, supports integration of climate-related risks and opportunities into relevant business processes, and coordinates external assurance activities.
- **Head of Property & Procurement:** Leads property and procurement activities relevant to operational emissions, including initiatives to improve building energy performance, manage supplier-related considerations, and support delivery of climate-related actions within their remit.
- **Senior Manager – Sustainability:** Leads delivery of sustainability initiatives, supports management of climate-related risks and opportunities, and helps coordinate data and inputs for sustainability reporting.

This delegation model ensures that climate-related responsibilities are embedded across key management roles and functions, with oversight mechanisms in place to support accountability and alignment with HCF's strategic goals.

Management is responsible for the day-to-day implementation and monitoring of the effectiveness of governance and compliance processes, controls and procedures HCF uses to oversee climate-related matters, including CRRO identification and management, climate-related metrics, monitoring and making progress towards targets, sustainable investment policies, and tracking and communicating progress.

CLIMATE-RELATED SKILLS AND COMPETENCIES

At HCF, the Board recognises the importance of maintaining the necessary skills and competencies to provide effective oversight of CRROs. To support this, the Board has implemented a skills matrix which outlines the skills and competencies required, including specific assessment of environmental, social and governance (ESG) oversight, encompassing the assessment of climate-related risks and opportunities. The matrix is reviewed annually by the Nomination Committee and approved by the Board to ensure its continued relevance. Each director completes an annual self-assessment, with results reviewed by the Board. This approach ensures that the Board remains equipped to guide climate-related strategic decision-making and risk management in alignment with long-term priorities.

The Skills Matrix is described in more detail on page 12 of the FY26 Corporate Governance Statement. Biographies of HCF Board members are available **online**.

Developing climate skills and education programs for Board and Executive

Throughout FY26, HCF's Board and Executive completed targeted training to build capabilities in climate change, sustainability and requirements of the ASRS. This included:

- A review of climate/ESG priorities, including requirements driven by stakeholders, regulation, customer and employee expectations, and noted key trends affecting health insurance.
- AASB S2 reporting requirements and directors' legal duties; including assurance requirements, materiality, proportionality and preparation steps.
- Climate risk and opportunity identification and scenario analysis over short, medium and long-time horizons; and how climate change risks and opportunities could impact revenue, claims, investment returns and overall business resilience.

REMUNERATION

The annual performance of Group management is measured against a balanced scorecard with financial and non-financial measures, which forms part of the variable short-term incentive (STI) pay component of remuneration for executives and senior leadership team (SLT) members. This scorecard is structured around our strategic goals with threshold, target and stretch levels.

Delivering HCF's first Sustainability Report forms part of the FY26 threshold level group strategic goals. This component represents less than 1% of the total key executive and SLT remuneration for FY26. The balanced scorecard does not include other climate-related metrics or performance indicators.

Further detail on remuneration structures is contained within HCF's CPS-511 Remuneration Disclosure Report, available on our website.



STRATEGY

As one of Australia's largest private health insurance funds, we recognise the role we can play in supporting Australia's transition to a net zero economy by 2050.

The Group has a five-year strategic planning cycle. The current five-year strategy (2026–2030) focuses on delivering greater value and care to members through innovation, investment and a continued commitment to being a member-first organisation.

Grounded in understanding of market pressures – ranging from rising healthcare costs, AI and digital disruption, to intensifying competition and shifting consumer expectations – our strategy balances delivering the best value protection in Australia, driving sustainable net member growth and innovating and leading through change.

With a clear vision to make healthcare affordable, high quality, understandable and member-centric, the Group is committed to enhancing everyday health and experience by delivering the leading value protection, smarter digital integration, differentiated service models, and a renewed focus on value beyond traditional insurance (e.g. our health offerings and loyalty program **Thank You**). This strategy positions the Group to lead with purpose and agility in a rapidly changing environment.

The HCF Board approved the strategy and monitors progress towards strategic goals.

The investment portfolio is managed by external investment managers, with oversight by HCF's Investment Committee and the Board. The Group's investment activities are conducted in accordance with the HCF Investment Policy, **HCF Responsible Investment Policy** and in accordance with all relevant regulations.



BUSINESS MODEL

THE VALUE WE CREATE

WHAT WE RELY ON

Our member advantage
Australia's largest not-for-profit health insurer
Australia's most trusted brand in private health insurance

Financial sustainability
Financial strength
Investment performance

Our people
Member-first
Outcomes focused
Skilled and engaged

Our providers and suppliers
Hospital and medical specialist network
No-Gap extras network
Health program partners
Our suppliers

Our community and planet
Our members
Community partners
Natural resources

OUR VALUES
Step forward
Stay human
Walk in their shoes
Make it better
Get there together

OUR VISION
To make healthcare accessible, affordable, high quality and member centric



OUR STAKEHOLDERS
Our members
Employees
Supply chain partners
Government and regulator
Health providers
Community

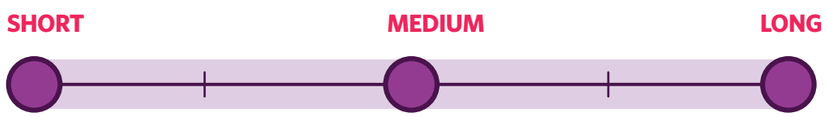
OUR 2030 STRATEGIC PILLARS
Deliver the best value protection in Australia
Drive sustainable net member growth
Innovate and lead through change

CLIMATE PRIORITIES

The Group aims to support Australia's transition to net zero by 2050 and help our members navigate this change. The climate-related elements of our strategy are summarised below:

- Identify and manage our CRROs.
- Support members to protect their health in a future affected by a changing climate.
- Meet climate-related regulatory obligations, including reporting obligations.
- Ensure HCF fulfills member expectations by contributing appropriately to the reduction of GHG emissions.
- Manage our investment portfolio in accordance with our Responsible Investment Policy.
- Keep expanding expertise and understanding of climate issues.

We consider three time horizons for risks and opportunity assessment: short term, medium term, and long term. By defining these time horizons and linking them to our strategic decision-making, the Group ensures a structured approach to managing CRROs.



Short term (2030)
Period aligned with the Group's current five-year strategy. Climate-related priorities in this horizon aim to mitigate immediate risks and capitalise on near-term opportunities, including GHG emissions reduction and better integrating climate considerations in financial and strategic decision-making processes.

Medium term (2035)
The medium-term horizon involves more comprehensive strategies that build on the progress made in the short term. That includes further integration of CRROs into our core business operations, developing and implementing advanced sustainability initiatives, enhancing our RMF and aligning our investment portfolio with our climate commitments.

Long term (2040)
The long-term horizon focuses on achieving our long-term sustainability goals and ensuring the Group is well positioned in a low-carbon economy. Long-term strategies involve transformations in our operations and value chain. This includes achieving net zero emissions in our value chain and fully integrating climate considerations into all aspects of our business.

CLIMATE RISK ASSESSMENT AND SCENARIO ANALYSIS

HCF has conducted qualitative and quantitative analysis to identify and assess CRROs that could reasonably be expected to affect the Group's prospects across the strategic time horizons outlined above. The process was informed by our existing enterprise RMF, scenario analysis, and input from external subject matter experts and key management across the Group. This assessment considered the Group's business model and value chain, significant risks and impacts to the health and social support system identified in Australia's National Climate Risk Assessment (NCRA) (Australian Climate Service 2025), and other relevant information. Financial effects were quantified using projected FY26 values and considered financial performance measures including revenue, claims costs, expenses, investment return and net surplus. HCF used a static portfolio assumption when considering factors such as member numbers, member location, and product and portfolio spread.

In FY25 and FY26, HCF conducted climate scenario analysis to assess the resilience of our business model across two different plausible futures. These scenarios, selected in alignment with the requirements of the *Corporations Act (2001)* and AASB S2, help HCF identify climate-related physical and transition risks, and climate-related opportunities. The publicly accessible climate scenarios were supplemented with information including the NCRA, scientific papers, regulatory trends, market trends and industry commentaries. HCF engaged an expert third party to assist with compiling the information and to facilitate the analysis process. The two scenarios are outlined below.

	NET ZERO SCENARIO (1.5°C WARMING SCENARIO)	HIGH EMISSIONS SCENARIO
Description	The global average temperature is limited to 1.5°C warming by the end of the century. Assumes rapid, concerted efforts to reduce GHG emissions across all sectors globally to reach near net zero emissions by 2050. There is a rapid technology transition and financial markets are not materially disrupted. In Australia, heatwaves and natural hazards have adverse health outcomes. Climate-sensitive communicable diseases are influenced by warming temperatures, rainfall and flooding. Hazards can damage infrastructure supporting health. Hospitals may incur high costs to decarbonise their operations in line with sectoral contribution plans.	The global average temperature exceeds 3.7°C warming by the end of the century. Emissions continue to rise resulting in high temperature outcomes and more extreme physical climate change impacts. Physical climate change impacts cause economic impact, but there is no economic change related to transition. The assumed pricing-in of longer-term physical risks in the 2030s leads to diminished equity returns in global markets. In Australia, higher temperatures increase exposure to more frequent and severe heatwaves with significantly increased mental and physical health impacts. Changes to temperature, rainfall and flooding increase the spread of climate-sensitive communicable disease and increase risk of novel disease. Infrastructure supporting health is more vulnerable and costs could increase significantly.
Key data sources	SSP 1-1.9 NGFS net zero 2050 Ortec net zero*	SSP 8.5 NGFS current policies Ortec high warming*
Time horizons	2030, 2035 and 2040	
Key assumptions	The analysis assumes HCF operates a constant member, product and investment allocation mix. No adjustments are made for potential mitigation actions or changes in member, product or investment allocation mix.	

NGFS: Network for Greening the Financial Sector

SSP: Shared socio-economic pathway (from the Intergovernmental Panel on Climate Change Sixth Assessment Report)

* HCF has used Ortec Finance Climate Scenario models to model climate-related impacts related to our investment portfolio. These scenario models are proprietary.

Based on the results of the scenario analysis, a quantitative financial impact assessment was conducted for certain risks. This impact assessment considered the scenario analysis, published research, review of existing controls and strategy, and other business data inputs. The outcomes of the assessment were presented to the RCSC and Board.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

This section provides information about the CRROs that could reasonably be expected to affect the Group's prospects, including current and anticipated impacts over the short-, medium- and long-term strategic horizons.

Our analysis this year, based on currently available data, indicates that unmitigated risks may not be individually quantitatively material, however, the combined impact of multiple unmitigated risks occurring at high severity in a single reporting period may be quantitatively material. Notwithstanding this, given the mitigation and response options available to management and HCF's well-capitalised balance sheet, we consider HCF to be financially resilient to climate-related risks.

Our analysis and estimates are influenced by assumptions and scenario characteristics described earlier in this report, which may change in the future as our data, models and processes mature. The cumulative and compounding effects of climate change are an area of significant judgement and uncertainty, as outlined on page 24.

Our risk assessment indicated that 100% of the Group's activities are vulnerable to physical and transition risks from climate change, due to the systemic nature of climate change risks assessed. This assessment of vulnerability is representative of how much of our activities are exposed to the risks, and not the probable financial impact.

We disclose the most relevant risks from our scenario analysis below.

RISK: INCREASED HEAT

Nature of the risk

Sustained increases in average temperatures and more frequent extreme heat events increase population exposure to heat stress. This leads to higher rates of heat-related illness and complications, including increased hospital admissions and longer lengths of stay. Impacts are most pronounced for heat-sensitive cohorts, including older persons, pregnant women and individuals with pre-existing cardiovascular, respiratory, renal and musculoskeletal conditions. Increased heat also places additional pressure on the public health system, with flow-on effects to private healthcare demand.

Business model and value chain impact

Direct heat-related illness such as heatstroke, dehydration etc make up less than 2% of system-wide healthcare costs and mainly present as emergency visits. The remainder of the cost is driven by mental health claims (refer to separate risk below) and kidney-related presentations and hospital stays. Heat stress can contribute to extended hospital stays, increased medicine usage, and more visits to health services, possibly resulting in an increased number of claims, or a higher cost claim, especially among those vulnerable to heat stress. HCF has a high proportion of members in this category, particularly members under 15 or over 55 years old and pregnant women.

Financial effects

An increase in the number and/or severity of hospitalisation claims could affect HCF's financial position, performance and cash flow through increased benefits paid to members and providers. HCF modelled an increase in heat-related hospital admissions across kidney, respiratory, joint replacement and pregnancy-related claims, supported by scientific literature of observed impacts of higher average temperatures on these clinical categories. Our modelling considered our current member demographic and postcode analysis to inform the assessment.

Based on quantitative modelling, we do not believe the financial impact would be material over the short, medium or long term.

IMPACT TIMEFRAME

Short-long

RISK TYPE

Physical risk

OUTCOME

Relevant, not financially material

How we can respond

Lower-cost care models, including Treatment at Home services like rehab, chemotherapy and palliative care, and telehealth services, are prioritised in our 2030 strategy. Transitioning to new models of care is expected to lead to care efficiencies over the long term, such as reducing length of stay and readmissions, benefiting both members and the healthcare industry.

Proactive communication with members and the community on appropriate preventative measures during high-heat events.

Designing products and services to meet changing member needs.

RISK: MENTAL HEALTH

Nature of the risk

Greater frequency and severity of floods, bushfires and prolonged heat increase mental health stress, resulting in higher utilisation of mental health services and increased comorbid physical impacts. Related mental health ranges from minimal stress and distress symptoms to clinical disorders, ranging from anxiety and sleep disturbances to depression, post-traumatic stress and suicidal thoughts.

Business model and value chain impact

Rising demand for mental health services is already exposing challenges relating to access and affordability across the Australian healthcare system for both public and private mental health care providers, health funds and other providers of other insurance products (such as worker's compensation and life insurance).

Across the market, premium increases for Gold Hospital products (which provide cover for psychiatric hospital care) have outpaced premium increases for other health insurance products[3]. Private health funds in Australia face challenges of providing affordable insurance cover for mental health that is financially sustainable for the health fund, their Gold policyholders and meets community expectations. Some health funds have responded to this challenge by withdrawing their Gold-level products from the market, which further concentrates risk in remaining Gold policy products.

An increase in mental health hospitalisations attributable to climate change could further exacerbate existing challenges relating to Gold policy products.

Financial effects

An increase in the number and/or severity of mental health hospitalisation claims could affect HCF's financial position, performance and cash flow through increased payments to members and providers. HCF modelled an increase in heat-related mental health admissions, as well as mental health admissions relating to increasing member exposure to climate-related hazards (such as bushfire and flood) based on member postcode data. The likelihood of increased admissions was informed by analysis of scientific literature.

Based on quantitative modelling, we do not believe the impact of a rise in mental health claims solely attributable to climate change would be financially material over the short, medium or long term, although it may contribute to ongoing financial sustainability challenges relating to Gold policy products, assuming the wider mental health system landscape, HCF membership mix and product portfolio mix remains the same. HCF closely monitors the financial performance of its product mix and associated claims patterns to balance financial sustainability, affordability and access to cover for members.

IMPACT TIMEFRAME

Short-long

RISK TYPE

Physical risk

OUTCOME

Relevant, not financially material

How we can respond

Proactive communication with members and the community on appropriate preventative measures. **HCF's Active Locals** app supports mental, social and physical wellbeing by connecting users with community-based fitness and social networks, promoting mental health outcomes and healthier lifestyles.

Providing members with access to mental health support services for members, such as the free annual HealthyMinds Check-in for all members with HCF hospital cover.

Designing products and services to meet changing member needs, including advising members on the most appropriate level of cover for their needs.

Advocacy for broader system reforms to advance the sustainability of the wider mental health care system in Australia, including education, early intervention programs, and support for healthier lifestyles.

[3] The Psychiatric Waiver: Balancing Access and Sustainability in Gold Hospital Products", Actuaries Institute, 14 December 2025

RISK: CHANGE IN DISEASE PATTERNS AND BIOSECURITY RISK

Nature of the risk

Climate change can influence the geographic distribution and prevalence of certain diseases. For example:

- The expansion of vector-borne diseases like malaria and dengue fever may lead to increased health risks in previously unaffected regions, affecting health funds' risk assessments and claims.
- Heavy rainfall and floods can cause sewage overflows, contaminate drinking water supplies and cause disease outbreaks.
- Climate change may cause mutations in existing diseases such as influenza, further increasing health risks.

Business model and value chain impact

Risk that service providers are not adequately equipped to handle diseases, due to lack of expertise, causing escalating or compounding claims.

Financial effects

An increase in the number and/or severity of hospitalisation claims related to disease could affect HCF's financial position, performance and cash flow through increased payments to members and providers.

Based on qualitative modelling, we do not anticipate that increased costs would be financially material over the short, medium, or long term. The analysis for this risk was informed by the changing percentage of members living in flood risk areas, based on postcode level analysis. Exposure to flood risk was selected due to links between floods and infectious disease outbreaks that have been documented in scientific literature. It is also more likely that outbreaks of climate-sensitive diseases may be geographically concentrated and thus be less significant in the context of our whole business.

IMPACT TIMEFRAME

Short-long

RISK TYPE

Physical risk

OUTCOME

Relevant, not financially material

How we can respond

Proactive communication with members and the community on appropriate preventative measures.

HCF's partnership with GP2U makes it easier for members to access telehealth services, which may assist with first-line health response.

Designing products and services to meet changing member needs.

RISK: AFFORDABILITY RISK

Nature of the risk

Physical risk: Impacts of climate change affect the availability, reliability and cost of food and water through increased drought, flood and extreme weather. The costs of medicine and access to healthcare could also be increased through damage to infrastructure. These pressures contribute to broader cost of living increases, reducing household financial resilience.

Transition risk: Structural changes associated with decarbonisation affect employment patterns, industry composition and household budgets. These changes influence affordability and participation in private health insurance, affecting membership growth and lapses. Impacts vary by region and demographic profile, reflecting differences in exposure to transition affected industries and labour markets.

Business model and value chain impact

As household discretionary income declines, affordability risks increase. This increases the risk of membership lapse.

Financial effects

An increase in membership lapses and downgrading could affect HCF's financial position, performance and cash flows.

HCF modelled price elasticity using its own data and private health insurance industry literature, which considers geographic and demographic factors. Based on qualitative modelling, we do not anticipate that there would be an increased rate of lapses attributable to this risk that would contribute to a material impact on financial position or performance over the short, medium or long term.

IMPACT TIMEFRAME

Short-long

RISK TYPE

Physical and transition risk

OUTCOME

Relevant, not financially material

How we can respond

HCF understands affordability is essential in ensuring members receive adequate care without financial strain or concerns about out-of-pocket costs. Advocacy, prevention, product design and new models of care are critical to support the long-term sustainability of the health sector, affordability, and the health of our members. Our actions include:

Ongoing support of our "More For" programs and No-Gap networks, guaranteeing no or low out-of-pocket costs for our members. Today, HCF already has an extensive No-Gap network.

Lower-cost care models, including Treatment at Home services like rehab, chemotherapy and palliative care, and telehealth services, are prioritised in the 2030 strategy. Transitioning to new models of care is expected to lead to care efficiencies over the long term, such as reducing length of stay and readmissions, benefiting both members and the industry.

Additional member value programs offered to members, such as our digital wellbeing solutions, Nurse Concierge, HCF Health Coaching and HCF Thank You loyalty app, enhance member value.

HCF offers premium relief of up to six months with its Involuntary Unemployment Assistance for eligible members affected by redundancy, assisting members in difficult circumstances and improving membership retention.

RISK: CHANGES IN CONSUMER PREFERENCE

Nature of the risk

As the expectations of climate action from members, regulators and stakeholders change, there is a risk that a misalignment of HCF's strategy with their expectations, or insufficient progress towards our climate action targets, could lead to reputational damage or loss of member confidence, resulting in increased member lapses.

Business model and value chain impact

Loss of member confidence could result in higher lapse rates as members switch to competitors.

Financial effects

An increase in membership lapses and downgrading could affect HCF's financial position, performance and cash flows.

HCF has modelled lapse rates using its own data and climate-related sentiment data (which considered expectations of consumers of financial institutions), including demographic factors. Based on qualitative modelling, and the mitigation actions we could take, we do not anticipate that the financial impact of any increased lapses would be financially material over the short, medium or long term.

IMPACT TIMEFRAME

Short-long

RISK TYPE

Transition risk

OUTCOME

Relevant, not financially material

How we can respond

HCF has voluntarily set targets for climate action, and we first achieved net zero in Scope 1 and Scope 2 emissions in 2025. We have also set climate-related targets relating to our Scope 3 emissions and investment portfolio. As outlined in this statement, we have effective governance and risk management processes to monitor performance against our climate targets and priorities.

To reduce the risk of misalignment with stakeholder expectation, HCF has mechanisms to understand stakeholder views such as complaints and feedback surveys. We continually review other sources of data such as expert research, market trends and competitor analysis. Information from these sources inform management's priorities and plans, allowing emerging misalignments to be identified and corrected.

RISK: DECARBONISATION OF SUPPLY CHAIN

Nature of the risk

Rapid transition to a net zero economy requires healthcare providers, particularly hospitals, to invest in decarbonising infrastructure, energy use and supply chains. These investments increase operating and capital costs over the transition period, with a share passed through to health funds.

Business model and value chain impact

This could affect HCF's financial position, performance and cash flow through higher claims costs from private hospitals.

Financial effects

HCF has made assumptions about the costs to decarbonise operations in private hospitals before 2040 based on industry and academic literature. Based on qualitative modelling of these assumptions, we do not anticipate that there would be increased costs for HCF that would be financially material over the short, medium, or long term. However, there is significant uncertainty about the future cost of decarbonisation which could differ by orders of magnitude.

IMPACT TIMEFRAME

Short-long

RISK TYPE

Transition risk

OUTCOME

Relevant, not financially material

How we can respond

Lower-cost care models, including Treatment at Home services like rehab, chemotherapy and palliative care, and telehealth services, are prioritised for the 2030 strategy. Transitioning to new models of care is expected to lead to care efficiencies over the long term, such as reducing length of hospital stay and readmissions.

Collaborations with hospitals to explore AI-driven triage and community-based care. Pilots have been launched for acute heart failure models using technology to monitor patients at home.

Sustainable procurement practices and influencing our suppliers to reduce their own GHG emissions.

Advocacy for care and funding reform aims to reduce fragmentation and ensure adequate funding for key elements of care, such as prevention, which could lead to lower costs and care efficiencies.

RISK: CHANGE IN INVESTMENT RETURNS

Nature of the risk

Physical risk: Increasing frequency and severity of extreme weather events contribute to lower long-term economic growth, greater market volatility and reduced expected investment returns, particularly for climate-exposed sectors and geographies. Physical climate impacts may also lead to periodic liquidity constraints and valuation volatility, affecting cashflows and portfolio resilience. In addition, increased exposure to climate-related disruption can result in a repricing of credit risk, including wider credit spreads and reduced counterparty resilience.

Transition risk: Rapid decarbonisation and policy alignment result in changes to asset valuations, sector returns and capital market conditions, contributing to increased volatility in investment performance over the medium term. Transition dynamics may also affect liquidity and cashflows, particularly where capital is reallocated away from emissions-intensive sectors. In addition, credit spreads may reprice as markets differentiate between issuers based on transition readiness and exposure to decarbonisation risks.

Business model and value chain impact

HCF has $3.07[4] billion of assets under management (AUM) and investment returns support our financial position, performance and cashflow. Our approach to investment is guided by our Responsible Investment policy, which limits investment in certain high-emitting activities (subject to their transition plan, revenue structure and other set considerations). Lower investment returns or increased volatility in returns could affect HCF's financial position, performance and cash flows.

Financial effects

HCF has modelled investment performance assuming a static portfolio value and composition. Models consider different market shocks as markets suddenly price the impacts of transition or physical hazards.

Transition risk: regulation developments and changing consumer preferences may disrupt the business models of investees and therefore affect investment returns. HCF analysis of our diversified portfolio indicates that our Investment Assets are not materially exposed to transition-sensitive sectors. Notwithstanding potential single-year market shocks, on average we do not anticipate that changes to investment performance would materially impact HCF's cash flow, financial performance or position.

Physical risk: markets price in the risk of physical impacts of climate change, which leads to a general decline in global economic performance. This is a systemic risk which exposes all investors and asset issuers to lower investment returns. Notwithstanding potential single-year market shocks, on average we do not anticipate that changes to investment performance would materially impact HCF's cash flow, financial performance or position before 2040. Closer to 2040, the change in investment performance may worsen as markets react to the worsening physical impacts of rising emissions. However, the results of market conditions and performance in long-range models involve higher levels of uncertainty.

In each time frame, HCF's capital adequacy multiple remains well above the minimum requirements established by the Australian Prudential Regulation Authority (APRA). The resilience of our portfolio is supported by ongoing governance and response measures outlined below.

IMPACT TIMEFRAME

Medium-long

RISK TYPE

Physical and transition risk

OUTCOME

Relevant, not financially material

How we can respond

HCF's Investment Committee oversees our investment performance, portfolio composition and conformance with our Responsible Investment Policy. Our investment portfolio is diversified across asset classes and geographies and HCF can change its composition to reduce risk and respond to opportunities.

HCF has set a target to move to net zero financed emissions by 2050 (outlined on page 9), which is likely to further reduce exposure to transition-sensitive sectors over time. HCF has set an additional target to invest 5% of AUM in climate transition solutions by 2040. At this time, we do not expect that the return from these investments would be materially different to other investment assets, as all investments are guided by our investment return and risk appetite.

Active management of our investment portfolio by our Investment Managers and consideration of climate-related risks and scenario analysis as part of their investment approach.

[4] HCF and HCF Life Fund balances as at 30 June 2026.

CURRENT CLIMATE-RELATED FINANCIAL IMPACTS

HCF has not identified any material financial impact from climate change on its financial position, financial performance and cash flow for the year ended 30 June 2026. In addition, we did not identify any matters for which there is a significant risk of a material adjustment to the carrying amount of assets and liabilities, within the next annual reporting period.

During the reporting year, some of our members were impacted by extreme weather events including floods, bushfires and heatwaves. We did not identify any impact on claiming patterns that could be reasonably attributed to climate-related events in the reporting period. In line with our commitment to supporting our members, we provided hardship support in the form of premium relief to members affected by extreme weather events, which also mitigates lapse risk. The financial value of the premium relief was immaterial.

HCF also made charitable donations to relief organisations to support community recovery.

CRROs are managed as part of business-as-usual activities and are resourced through existing budgets across the Group. The Group did not identify material direct expenditure attributable solely to the delivery of climate-related initiatives during the reporting period, or that may occur in future short-term reporting periods (other than investment in climate solutions through our investment portfolio).

CLIMATE-RELATED OPPORTUNITIES

During the scenario analysis and risk management process, we documented actions that may support our resilience to climate-related risks or improve our practices. Because we consider these more closely aligned to risk mitigation activities or general process maturity uplift, rather than a genuinely new opportunity relating to climate change, we have not separately disclosed them (they are briefly described in the 'how we can respond' section of each risk disclosure above) or quantified any associated investment in this report.

The identified actions were considered as part of the business planning cycle, which is the annual process where HCF considers, prioritises and allocates funding for initiatives. This was performed by Management as part of their strategic plan development. Initiatives are prioritised based on their expected return on investment, alignment with 2030 strategy goals, feasibility and advantage to members. These criteria are also considered when making trade-offs between risks and opportunities, with reference to the HCF Risk Appetite. Capital and other funding requirements relating to climate-related risks and opportunities are agreed as part of the business-as-usual strategic planning and budget cycles and incorporated into the annual plan.

In relation to the identified activities, some have been included in 2030 strategy plans and budget cycles. Additional actions have been either documented for future consideration or absorbed into general continual improvement plans.



OUR RESILIENCE TO CLIMATE-RELATED RISKS

Areas of significant judgement and uncertainty

As part of the climate resilience assessment, HCF used scenario analysis to evaluate key areas of uncertainty that could impact our ability to model and understand the risks identified. Significant areas of uncertainty where judgements have been applied include:

- Connected nature of risks: A risk in one area may cause cascading and compounding impacts. For example, an extreme heat event could cause impacts across heat stress, mental health, health infrastructure damage through a bushfire worsened by heat, which could then exacerbate affordability or access concerns for members affected. This would mean that financial impact to the Group could be felt across more than one risk category, increasing potential financial materiality. The variability, severity and compounding nature of physical climate impacts on member health outcomes is an area of significant uncertainty.
- Economic, regulatory and social transitions: Broader changes such as labour market changes, changes to private health insurance policy landscape or the broader healthcare system, cost-of-living pressures and social shifts could influence affordability risk, the Group's operating environment and strategic decisions.
- Technology adoption and service change: Innovative solutions for health, ranging from additional care available at home to AI-assisted diagnostics, may affect our product design or strategic decisions.
- Investment performance: The assessment relies on data from HCF's Investment Manager, issuers and other third parties. This may have limitations as to comparability, timing and portfolio coverage.

Our capacity to adjust and adapt our strategy and business model

HCF maintains financial flexibility to respond to unforeseen events, including potential climate-related developments. This includes the ability to adjust business budgets, capital funding and growth investments. Our investment management supports flexibility including the ability to take advantage of opportunities in low-carbon investments.

As part of our business model, the Group offers diverse products to help members with a range of insurance requirements. This includes life insurance, funeral insurance and international visitor health insurance. HCF also acts as an agent for other insurers for member products including travel, pet, landlord, home and contents, and motor insurance. HCF does not assume the underwriting risk for these general insurance products.

Through our diversified product mix, we build resilience in our operating model by increasing member retention and attraction.

As outlined above, HCF believes that our investment assets are not materially exposed to climate-related risks based on currently available data and assumptions and potential for risk mitigation. Additionally, HCF has conducted an analysis of the exposure of our owned commercial property assets to climate change and determined that their location is not highly exposed to climate-related physical or transition risks. We manage ongoing energy efficiency projects and other upgrades to our premises through business-as-usual budget planning processes. Therefore, we do not currently anticipate a need for extensive upgrades, redeployment or repurposing of our existing physical or investment assets.

Resilience Assessment

Based on our analysis of each relevant risk, and the risk mitigations that HCF could employ, we believe the impacts of climate-related risk are within our current Board-endorsed risk appetite. In addition, the current analysis does not include further potential strategic changes, risk mitigations or climate-related opportunities HCF may identify which would further increase the resilience of our business model to climate-related risks.

TRANSITION PLAN

We recognise the important role that HCF can play in contributing to the climate transition, through how we manage our own operations, invest our assets and influence our value chain. HCF's forward-looking strategy includes continued integration of climate considerations into risk governance and strategic decision-making. In relation to our Scope 1 and Scope 2 net zero target, we continue to implement energy efficiency opportunities as part of our regular planning cycle. Achievement of net zero assumes access to high-quality and cost-effective carbon credit units. This target does not take account of potential changes to HCF's business scale or operations. Significant changes in these factors may mean a review is required.

In relation to Scope 3 targets (noting HCF has applied the transition relief to not disclose Scope 3 emissions this year), our focus for FY27 is on continuing to improve data and control processes, supplier engagement and maintaining applicable policy controls.

As we work to incorporate additional supplier-specific information into our Scope 3 calculations, HCF intends to engage with suppliers to encourage them to measure, report and reduce their own emissions. This target does not consider potential changes to HCF's business scale, operations, supplier base or third-party spend levels. Significant changes in these factors may mean a review is required. Achievement of the target assumes that action is taken across HCF's supplier base to credibly reduce and disclose their emissions by 2040.

With our Investment Manager, we monitor progress towards our financed emissions and climate transition capital targets. Achievement of the climate transition capital target assumes a sufficient supply of low-emissions and/or climate transition investments that meet HCF's defined risk and return criteria. Achievement of the net zero financed emissions by 2050 target assumes that governments and companies make progress on decarbonisation targets consistent with the Paris Agreement.



RISK MANAGEMENT

APPROACH TO RISK MANAGEMENT

HCF has a Group RMF designed to align with our strategy and values. This framework supports the management of risks that may affect our ability to meet obligations to members.

We're committed to maintaining an organisational philosophy and culture which promotes effective risk management as an integral part of business operations. Led by the Board and Executive, we promote a 'tone from the top' approach in conducting day-to-day business in a risk-aware manner. Climate risk is monitored and managed within the Group RMF.

The Board is ultimately responsible for our RMF and oversees its implementation and operation by management, as described in the governance section on page 11. The Board endorses a 'Three Lines of Defence' risk accountability model as set out in the diagram below.

HCF recognises climate-related risk as a strategic risk that could negatively affect our business objectives, reputation and performance. We are continuing to adapt our existing processes, tools and policies to support the effective management of climate-related risk.

FIRST LINE OF DEFENCE

Leadership & Business Management

Accountabilities

- Risk and risk mitigation/control ownership
- Identify, manage and assess risks and implement controls to bring risk exposure to within risk appetite
- Monitor, assess and test control effectiveness
- Remediate risk mitigation deficiencies

Context of climate-related risks

Includes business units such as Property, Procurement and Member Health, who manage climate risks within their operations

SECOND LINE OF DEFENCE

Risk Management, Legal & Compliance

Accountabilities

- Support and advise on activities and decisions that may have a material impact on operations and members
- Provide risk management tools and frameworks
- Oversee the application of the RMF
- Facilitate the embedment of the RMF

Context of climate-related risks

Provides oversight and ensures alignment with regulatory obligations

THIRD LINE OF DEFENCE

Internal Audit

Accountabilities

- Consider quality of risk identification and management
- Review and report on adequacy and effectiveness of controls
- Provide assurance to Board and Management

Context of climate-related risks

Provides independent assurance over the effectiveness of climate-related controls and governance

RISK MANAGEMENT PROCESS

Risk identification and assessment

Risks and opportunities are identified through different channels, including risk profiling, scenario analysis, stakeholder engagement, regulatory trends, peer review, and operating environment trends and industry commentary. As described on the previous page, HCF used scenario analysis, facilitated by an external expert, to identify and test resilience to climate-related risks and identify potential opportunities.

The potential impact and likelihood of climate-related risks is assessed in accordance with criteria set out in the RMF. The RMF considers both qualitative and quantitative impacts across several dimensions. Both the inherent and residual risk ratings were considered. For climate-related risks with higher ratings, quantitative risk analysis was performed to better understand risk exposure and financial materiality. The climate-related risks disclosed over pages 17-22 are the results of this assessment.

Risk management and monitoring

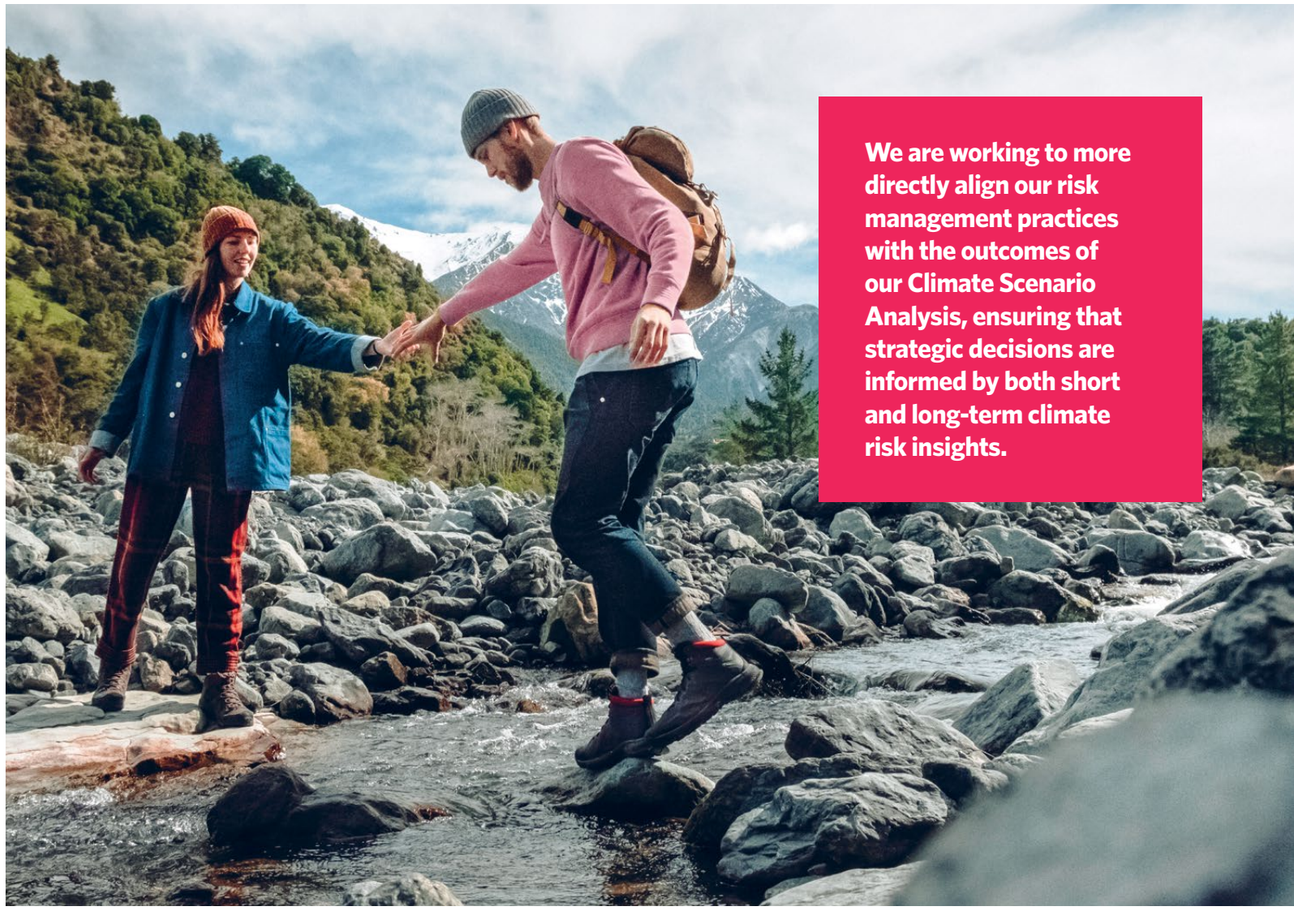
We record all material risks, excluding strategic disruption risks, in our Enterprise Risk Information System (ERIS). We use ERIS to log incidents and record and monitor action plans, risks, controls and obligations linked to the strategic planning cycle.

Risks are monitored on an ongoing basis to ensure we are managing risk in accordance with the Board-endorsed Risk Appetite. This includes changes to the risk profile including mitigation implemented, the results of controls review, the impact of any risk events or near-miss events, or other relevant developments. The results of the risk reviews, including performance against any relevant metrics or indicators, are captured within ERIS. Treatment management strategies and controls for risks with a high risk rating, or for risks out of appetite, are reviewed by the EARCC and RCSC.

Our approach to managing climate-related risk continues to evolve. We are working to more directly align our risk management practices with the outcomes of our Climate Scenario Analysis, ensuring that strategic decisions are informed by both short- and long-term climate risk insights.

EVENTS AFTER THE REPORTING PERIOD

No transactions, other events or conditions occurring after the end of the reporting period and before the date of authorisation of issue of this report have taken place that need to be disclosed in this Sustainability Report Financial Year 2025-26.



We are working to more directly align our risk management practices with the outcomes of our Climate Scenario Analysis, ensuring that strategic decisions are informed by both short and long-term climate risk insights.

APPENDIX A
HCF EMISSIONS CALCULATIONS

As this is HCF's first reporting period aligned to AASB S2, no changes in methodological approach apply.
HCF applies emission factors that best represent its activities as the basis for measuring GHG emissions. All emission factors used are CO_2-e factors sourced from secondary sources including government authorities, as shown in the table. Emission factors are selected from the latest available data, which may not be aligned with the reporting period.

Depending on invoicing cycles, some data for the final three months of the year may not be available in sufficient time to be included in the inventory, in which case data is estimated using averages of data from the current reporting period. HCF makes efforts to incorporate as much actual data as possible.

In calculating the Group's Scope 1 and Scope 2 GHG emissions, the following approach, inputs and assumptions have been used:

SOURCE	METHODOLOGY AND INPUTS	ASSUMPTIONS, ESTIMATION & UNCERTAINTIES
Refrigerants Refrigerant leakage from use of refrigerators and heating, ventilation and air conditioning (HVAC) systems in buildings owned by HCF and supplementary systems and installed in leased premises.	Emissions are estimated by multiplying the quantity of refrigerant gas by the global warming potential and assumed leakage rate. Average-data method. Moderate measurement uncertainty – HCF maintains a refrigerant inventory showing units controlled and the refrigerant charge but estimates the leakage rate based on industry data. Emission factors: Global warming factors from the Intergovernmental Panel on Climate Change Sixth Assessment Report (IPCC AR6).	**Leakage Rates:** Assumed leakage rates are based on unit class and the relevant average refrigerant leakage recorded for each by the Department of Climate Change, Energy, the Environment and Water (DCCEEW) in the research paper "Cold Hard Facts 4 Appendix A: Methodology – taxonomy, data and assumptions, 2024". Leakage rate may not reflect actual losses. For locations where HCF does not install any specific HVAC units in a leased premises and uses only base-building HVAC (for instance, a branch located in a large shopping centre), emissions from HVAC are considered immaterial and not included in the Scope 1 reporting boundary.
Stationary energy Natural gas delivered through a pipeline to facilities for heating. Diesel used in fire suppression systems or backup generators in owned premises.	Emissions are estimated by multiplying the quantity of fuel used by the relevant emissions factor. Activity-data method. Low measurement uncertainty – invoice data from reliable sources. Input: billing invoices (m3 or L). Emission factors: Australian National Greenhouse Accounts Factors 2025 (NGAF 2025).	Where billing data is not available at the time of reporting, data is estimated using averages. Assume diesel purchased within the reporting period is consumed within the reporting period.
Transport fuel Fuels used in owned vehicles	Emissions are estimated by multiplying the quantity of fuel used by the relevant emissions factor. Activity-data method. Low measurement uncertainty – invoice data from reliable sources. Input: billing invoices (L). Emission factors: NGAF 2025.	Where billing data is not available at the time of reporting, data is estimated using averages.
Anaesthetic gas Gases used for pain management in HCF Dental Centres (nitrous oxide and medical carbon dioxide)	Emissions are estimated by multiplying the quantity of gas used by the relevant emissions factor. Activity-data method. Low measurement uncertainty – invoice data from reliable sources. Emission factors: IPCC AR6	Where billing data is not available at the time of reporting, data is estimated using averages. Assume anaesthetic gas purchased within the reporting period is consumed within the reporting period.
Purchased electricity – location-based	Emissions are estimated by multiplying the quantity of purchased electricity consumed by the appropriate grid-based factor. Input: billing invoices (kWh). Low measurement uncertainty – invoice data from reliable sources. Factors: NGAF 2025.	Where data is not available at the time of reporting, data is estimated using averages.
Purchased electricity – market-based	Non-renewable electricity is calculated by subtracting the quantity of renewable electricity certificates (LGCs) surrendered from the total electricity consumed. Emissions are then calculated by multiplying the non-renewable electricity by the residual mix factor (NGAF 2025). Low measurement uncertainty – invoice data from reliable sources. Input: billing invoices (kWh) and LGC purchase records showing the number of certificates purchased.	Where billing data is not available at the time of reporting, data is estimated using averages.

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Independent auditor's review report to the members of The Hospitals Contribution Fund of Australia Ltd

Conclusion

We have conducted a review of the following information in the Sustainability Report of The Hospitals Contribution Fund of Australia Ltd (the Company) and its subsidiaries (collectively the Group) for the year ended 30 June 2026 (the 'selective sustainability information') as required by Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* issued by the Auditing and Assurance Standards Board (AUASB):

Selective sustainability information	Criteria: Reporting requirement of AASB S2 Climate-related Disclosures (AASB S2) (including related general disclosures required by Appendix D)	Location in Sustainability Report
Governance	Paragraph 6	Paragraphs under Governance, Climate-related skills and competencies and remuneration sections on pages 11 to 12
Strategy (risk and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	Paragraphs under strategy, Climate-related risks and opportunities, Our resilience to climate-related risks on pages 14 to 25
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	Paragraphs under FY26 GHG Performance section on page 10

The requirements of AASB S2 identified in the table above form the criteria relevant to the selective sustainability information and apply under Division 1 of Part 2M.3 of the *Corporations Act 2001* (the Act).

We have not become aware of any matter in the course of our review that makes us believe that the selective sustainability information specified in the table above does not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001.*

Basis for conclusion

Our review has been conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) issued by the AUASB. Our review includes obtaining limited assurance about whether the selective sustainability information is free from material misstatement.

In applying the relevant criteria, we note that subsection 296C(1) of the Act includes a requirement to comply with AASB S2.

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Our conclusion is based on the procedures we have performed and the evidence we have obtained in accordance with ASSA 5000. The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the *Summary of the Work performed* section of our report.

Our responsibilities under ASSA 5000 are further described in the *Auditor's responsibilities* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Act and the ethical requirements of *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to June 2024) (the Code) that are relevant to reviews of the selective sustainability information of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

We confirm that the independence declaration required by the Act, which has been given to the directors of The Hospitals Contribution Fund of Australia Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

The directors of the Company are responsible for the other information. The other information comprises the Financial Report, the Directors' Report and the Sustainability Report, but does not include the selective sustainability information and our review report thereon.

Our conclusion on the selective sustainability information does not cover the other information and we do not express any form of assurance conclusion thereon in this review report. We have issued a separate auditor's report on the Financial Report.

In connection with our review of the selective sustainability information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the selective sustainability information, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the selective sustainability information

The directors of the Company are responsible for:

- The preparation of the selective sustainability information in accordance with the Act; and

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- Designing, implementing and maintaining such internal control necessary to enable the preparation of the selective sustainability information, in accordance with the Act that is free from material misstatement, whether due to fraud or error.

Inherent limitations

As discussed on page 6 of the Report, climate-related risk management is an emerging area, and often uses data and methodologies that are developing and uncertain. The Report contains forward looking statements, including climate-related scenarios, targets, assumptions, climate projections, forecasts, statements of future intentions and estimates and judgements that have not yet occurred and may never occur. We do not provide assurance on the achievability of this prospective information.

Greenhouse gas emissions quantification is subject to significant measurement uncertainty, which arises because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. The comparability of sustainability information between entities and over time may be affected by inconsistencies in the methods to estimate or measure those emissions, due to different, but acceptable, methods applied.

Auditor's responsibilities

Our objectives are to plan and perform the review to obtain limited assurance about whether the selective sustainability information, defined in the *Conclusion* section of our report, is free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the selective sustainability information.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.

- Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Summary of the work performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the selective sustainability information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error.

In conducting our review, the procedures we performed included, but were not limited to:

- Considered the completeness of The Hospitals Contribution Fund of Australia Ltd's assessment of climate-related risks and opportunities

- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the selective sustainability information during the reporting period

- Read minutes of relevant committees to understand matters discussed and decisions made with respect to climate-related disclosures

- Assessed the appropriateness of the reporting boundaries applied

- Undertook analytical review procedures to support the reasonableness of the selective sustainability information

- Evaluated the appropriateness of emission factors applied in the greenhouse gas emission processes

- Agreed the selective sustainability information disclosures made in the report with the underlying records

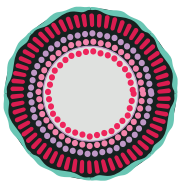
- Evaluated the presentation and disclosure of the selective sustainability information against the requirements of AASB S2

Ernst & Young

Kieren Cummings
Partner
Sydney
3 September 2026

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ACKNOWLEDGEMENT OF COUNTRY

HCF acknowledges the traditional custodians of the lands and water upon which we work and live.

We acknowledge Aboriginal and Torres Strait Islander peoples' rich history as traditional healers and scientists, who have taken care of the health of the land and its people for thousands of years.

We give thanks to Elders past and present, who we have much to learn from on our reconciliation journey.

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