

BOARD 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: 29 JUNE 2023

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1. INTRODUCTION AND PURPOSE OF THIS CHARTER

The purpose of this Board Charter, covering The Hospitals Contribution Fund of Australia Ltd (the **Company** or **HCF**) and Transport Health Pty Ltd (together, the **Companies**) is to set out the corporate governance structure of the Companies to facilitate the sound and prudent management and governance of the operations of the Companies in accordance with their Constitution and in compliance with applicable legislative and regulatory requirements including:

- a) APRA Prudential Standard CPS 510 – Governance (the **Standard**);
- b) the *Private Health Insurance (Prudential Supervision) Act 2015*; the *Private Health Insurance Act 2007*; and
- c) HCF's Australian Financial Services Licence.

This Charter sets out the roles and responsibilities of the Board and management, specific responsibilities that the Boards have delegated to its committees or to management, as well as the Boards' structure, operations and processes.

2. ROLE OF THE BOARD

2.1. ROLE

The Boards are responsible for the overall governance of the Companies including overseeing the continuity of the Companies' business and long-term viability, strategic guidance and effective oversight of management. To achieve these roles the Boards have reserved to itself the following responsibilities.

2.2. RESPONSIBILITIES

The Boards' responsibilities include:

2.2.1 Strategy

- a) setting the strategic direction and performance objectives of the Companies in accordance with its Risk Appetite Statement and the business requirements of its subsidiaries;
- b) reviewing draft strategic initiatives before such initiatives are costed and included in the Business Plan and Budget which is approved by the Board each year;
- c) monitoring implementation of the Business Plan and the Companies' performance objectives;
- d) reviewing the social, environmental and ethical impacts of the Companies' business practices and approving standards for ethical practices including the HCF Group Code of Conduct and the HCF Group Corporate Responsibility Statement;
- e) 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 and sustainability strategy and risk management framework. In addition, reviewing and approving HCF's approach to corporate responsibility and impacts across stakeholders outlined in HCF Group's Corporate Responsibility Statement.

2.2.2 Director skills and oversight of management

- f) appointing and removing the Chief Executive Officer;
- g) appointing and removing the Company Secretary and Chief Financial Officer;
- h) ensuring that Directors and senior management collectively have the full range of skills needed for the effective and prudent operation of the Companies, and that each Director has the skills that allow them to make an effective contribution to Board deliberations and processes, including understanding the risks of the Companies and their legal and prudential obligations in order to ensure that the Companies are managed in an appropriate way taking into account these risks;
- i) approving succession plans for the Chief Executive Officer;
- j) monitoring senior management's performance against agreed criteria;
- k) providing advice and counsel to management;

2.2.3 Remuneration

- l) overseeing the remuneration framework and its effective application;
- m) overseeing the key people, culture and remuneration practices of the HCF Group;
- n) approving the HCF Group Remuneration Framework, HCF Group Executive Remuneration Policy and HCF Group Remuneration Policy (General Employees) annually or as otherwise required, having regard to recommendations from the People, Culture & Remuneration Committee;
- o) approving, on an annual basis:
 - (i) the total remuneration arrangements (total fixed remuneration and variable remuneration) for the Chief Executive Officer, their direct Executive Management Team reports and other persons in '*specified roles*' (**Specified Roles**);
 - (ii) the remuneration processes for persons in Specified Roles; and
 - (iii) the variable remuneration outcomes for persons in Specified Roles, including with respect to the deferral of and application of in-period adjustments, malus and clawback to variable remuneration, having regard to recommendations from the People, Culture & Remuneration Committee;

2.2.4 Oversight of financial and capital management

- p) allocating appropriate human and financial resources;
- q) reviewing and approving the financial statements and the Financial Condition Report of the Companies;
- r) monitoring the financial performance of the Companies;
- s) overseeing that at all times a framework and supporting policies and controls are in place to maintain the integrity of the Companies' financial statements;
- t) overseeing the reliability and appropriateness of the disclosure of the Companies' financial statements and external financial communication;
- u) overseeing that at all times a framework and supporting policies and controls are in place to maintain solvency and capital adequacy standards set by the Australian Prudential Regulation Authority (**APRA**);
- v) reviewing, approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, investment management and material commitments;
- w) appointing external auditors where the role is vacant, subject to approval at the next Annual General Meeting of the Company;
- x) appointing and removing investment advisers and internal auditors;

2.2.5 Risk Management and Compliance

- y) reviewing and approving the Companies' Risk Management Strategy, Risk Management Framework, Risk Appetite Statement and compliance frameworks;
- z) monitoring that at all times an appropriate, sound and effective prudentially compliant risk management and compliance framework and supporting policies and controls are in place and observed to prudently identify, assess, monitor and manage risks to safeguard policyholders' interests and that these are regularly reviewed;
- aa) monitoring that regulatory reporting and notification requirements are met;
- bb) reviewing Company policies and functions utilised by its subsidiaries so that they give appropriate regard to the business and the specific requirements of the Company, as a private health insurer, and its subsidiaries;

2.2.6 Stakeholders

- cc) monitoring that effective business relationships are being maintained with the Companies' stakeholders including regulators and external auditors;
- dd) monitoring that there is in place a code of conduct to guide its Directors, senior management and all employees in the practices necessary to maintain confidence in the integrity of the Companies, and that the Companies' purpose, mission and values are clearly articulated and modelled by the Board in its conduct and decision-making;

- ee) maintaining appropriate engagement between the Board and senior management of the Companies and the respective boards and senior management of subsidiary companies within the HCF Group of Companies (**HCF Group**), particularly with respect to key performance indicators and the allocation of resources;
- ff) approving the nominees for Councillor and Director positions and Director remuneration, subject to and in consideration of the recommendations of the delegated committees;
- gg) monitoring and influencing the Company's values to foster a culture that supports the Company's ability to operate consistently within its Risk Appetite Statement and to facilitate fair and balanced outcomes for the Company's stakeholders; and
- hh) any other matters that require Board approval in accordance with the Company's Constitution or any regulatory or legislative requirements or any Board Committee.

3. ROLE OF THE CHAIR

The Chair is an independent non-executive Director appointed by the Boards and is responsible for:

- a) providing appropriate leadership to the Boards;
- b) monitoring that Directors receive the appropriate induction;
- c) monitoring that the membership of the Boards is balanced and appropriate for the Company's needs;
- d) setting the agenda, style and tone of Board discussions and monitoring that key decisions are made in a timely manner;
- e) facilitating Board discussions to ensure the core issues facing the Companies are addressed and that adequate time is allocated for consideration of all issues;
- f) monitoring the performance of the Boards;
- g) guiding and promoting the on-going effectiveness and development of the Boards and individual Directors;
- h) liaising with the chair of any subsidiary company and any committee that is deemed necessary to assist with the corporate governance of the Companies;
- i) liaising with any person as deemed necessary to assist with fulfilling the responsibilities of the Boards; and
- j) promoting constructive relationships between Board members and between the Boards and management.

4. ROLE OF INDIVIDUAL DIRECTORS

The Directors' specific duties and responsibilities include:

4.1. LEGAL AND STATUTORY REQUIREMENTS

To act in accordance with legal and statutory requirements including:

- a) discharging their duties in good faith and acting honestly in the best interests of the Company and their current and prospective policyholders;
- b) owing a fiduciary duty to the Companies using their powers of office for proper purpose, in the best interests of the Company as a whole;
- c) acting with required care, skill and diligence, demonstrating commercial reasonableness in their decisions;
- d) understanding the Companies' finances in order to reach a reasonably informed opinion of its financial capacity;
- e) not making improper use of information gained through their Directorship;
- f) not taking improper advantage of their Directorship;
- g) making reasonable enquiries to ensure that the Companies are operating efficiently, effectively and legally towards achieving its goals;
- h) understanding collectively the risks to the Companies;
- i) understanding the Companies' legal and prudential obligations;

- j) overseeing the effective management of the Companies, including questioning and challenging management, and making key decisions in a timely manner;
- k) to contribute effectively to the Board's deliberation processes;
- l) undertaking diligent analysis of all proposals placed before the Boards;
- m) not permitting the Companies to engage in insolvent trading;
- n) to make an independent assessment of information or advice from a competent and reliable individual, before relying upon it;
- o) to exercise independent thinking and judgement in the discharge of these responsibilities;

4.2. TIME COMMITMENT AND PARTICIPATION IN BOARD AND COMPANY MEETINGS

- p) to devote sufficient time to properly perform their duties to the Companies and to assist the Boards in carrying out its responsibilities;
- q) to attend Board meetings, question, request information, raise any issue which is of concern to them, fully canvass all aspects of any issue confronting the business and cast their vote on any resolution according to their own judgement;
- r) to keep confidential Board discussions, deliberations and decisions except where decisions are required to be publicly disclosed;
- s) to commit to engaging with Councillors, in their role as members of the Company, by participating in scheduled meetings and dinners in order that Councillors' views and concerns may be heard.

4.3. CONFLICT OF INTEREST

In accordance with the Constitution, the *Corporations Act 2001 (Cth)* (**Corporations Act**) and current best practice, to appropriately manage conflicts of interest that may arise and to:

- t) disclose to the Boards any actual or potential conflicts of interest (including details of transactions or relationships) that may exist or might reasonably be thought to exist as soon as the situation arises;
- u) inform the Chair of any proposed board or executive appointments they are considering undertaking;
- v) if deemed desirable by the Boards or a Director, take such steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period;
- w) comply with the Corporations Act provisions relating to disclosing interests and restrictions on voting; and
- x) follow the agreed procedures to assist them in disclosing potential conflicts of interest.

4.4. CODE OF CONDUCT AND ETHICAL STANDARDS

To observe the HCF Group and Private Healthcare Australia Codes of Conduct that sets out the ethical behaviour and professional conduct expected from all of the HCF Group's colleagues and business partners including dealings with:

- customers and consumers;
- suppliers;
- advisors and regulators;
- competitors;
- the community; and
- employees.

4.5. AVAILABILITY TO REGULATORS

Directors and senior management must be available to meet with APRA or any regulator on request.

4.6. FITNESS AND PROPRIETY

In accordance with the HCF Group Fit and Proper Policy, to maintain their fitness and propriety in relation to their Board appointment including:

- a) maintaining the skills and competencies appropriate to their appointment; and
- b) annually providing confirmation of their fitness and propriety.

5. ROLE OF THE COMPANY SECRETARY

The Company Secretary is accountable to the Boards through the Chair on corporate governance and company secretarial matters and is specifically responsible for:

- a) co-ordinating, organising and attending all Board and Committee Meetings;
- b) preparing minutes of meetings and resolutions of the Board and Committees in accordance with the HCF Director Board/Committee Paper and Minutes Policy;
- c) assigning responsibility for follow-up of matters arising from Board and Committee meetings and ensuring relevant follow-up is appropriately reported to the next relevant meeting;
- d) overseeing statutory and administrative procedures;
- e) identifying and implementing corporate governance issues, initiatives and opportunities; and
- f) liaising between the Boards, Committees and management to ensure Company Secretariat activities align with business needs and business strategy.

6. ROLE OF MANAGEMENT

The Chief Executive Officer (with the assistance of management) is responsible to the Boards for:

- a) the overall management and performance of the Companies' business;
- b) providing the Boards with information that will assist the Boards in discharging their duties;
- c) preparing and monitoring the Companies' Business Plan, Budget and Risk Appetite Statement;
- d) reporting on performance against the Companies' Business Plan, Budget and Risk Appetite Statement to the Boards on intervals agreed by the Boards;
- e) implementing, managing and overseeing adherence to plans, policies and procedures in accordance with directives from the Boards;
- f) maintaining an annual Board program of regular and annual items, which are supplemented with business items as required which is used to develop agendas for Board meetings;
- g) risk management and the compliance framework and supporting policies and controls that are effective to manage risks; and
- h) facilitating that senior management are available to meet with any regulator on request.

7. ROLE OF COUNCILLORS

The role and responsibilities of Councillors, structure and conduct of Councillor meetings are set out in detail in the Councillor Charter.

8. DELEGATIONS OF AUTHORITY

The Boards may delegate its authority, in writing, to a person or a committee.

8.1. DELEGATION TO BOARD COMMITTEES

Where the Boards establish committees to assist it in discharging their responsibilities, each committee will have a written charter approved by the Boards setting out the authority, responsibilities, membership and operations of the committee.

The Boards will monitor the committees' performance and exercise of delegated authority on a regular basis and review the written charter of the committee on an annual basis. The Chair of each committee will report any matters of substance to the next Board meeting and minutes of all committee meetings will be circulated to the Boards.

The Chair of the Boards and relevant management (as appropriate) will, and Directors may, attend committee meetings. Directors are also entitled to receive committee papers.

Committees are entitled to obtain professional or other advice in order to effectively carry out their proper functions.

There are currently four standing committees:

- a) Audit and Finance Committee;
- b) Risk, Compliance and Sustainability Committee;
- c) Nomination Committee; and
- d) People, Culture and Remuneration Committee.

Other committees may be constituted by the Boards from time to time, as required.

8.2. DELEGATIONS TO THE HCF GROUP PEOPLE, CULTURE AND REMUNERATION COMMITTEE

The Boards have delegated certain responsibilities in relation to remuneration to the People, Culture and Remuneration Committee. In particular, the Boards have delegated oversight and reviews of the HCF Group's Remuneration Framework, including its documented 'Remuneration Policy' (which outlines the remuneration objectives and the structure of the remuneration arrangements, including but not limited to the performance-based remuneration components of the Company) to the People, Culture and Remuneration Committee.

8.3. DELEGATIONS TO MANAGEMENT

The Boards have delegated to the Chief Executive Officer the authority to manage the day to day affairs of the Companies in relation to all matters other than those responsibilities reserved to the Boards in this Board Charter and as prescribed by law.

Management delegations that have been approved by the Boards are set out in the Company's Delegated Authority Policy. Delegations are reviewed annually.

8.4. OVERSIGHT OF DELEGATIONS

The Boards must ensure there are procedures for the Companies to monitor the exercise of delegations and not to abrogate its responsibilities through the use of delegations.

9. BOARD STRUCTURE AND RENEWAL

9.1 BOARD COMPOSITION AND SIZE

Pursuant to the Standard, the Boards must have:

- a) a minimum of five Directors at all times;
- b) the majority of who are independent Directors at all times; and
- c) a majority of Directors who ordinarily reside in Australia.

In accordance with the Constitution the Boards have determined, for the present that the number of Directors will not be more than ten, with a majority of Independent Directors.

9.2 CHAIR

The Boards will elect one of its members to be the Chair. The Chair of the Boards will be an Independent Director appointed by the Boards and must not have been the Chief Executive Officer of the Company at any time during the past three years. However, if the position of Chief Executive Officer (or equivalent) is unexpectedly vacated, the Chair may serve as an Interim CEO for up to 90 days, with approval to be sought from APRA for a period greater than 90 days.

Subject to the conditions for appointment and tenure of a Director under the Constitution, there is no additional limitation on the tenure of the Chair.

9.3 DIRECTOR INDEPENDENCE

Pursuant to the Standard, the Boards have determined the criteria for deciding whether a Director is independent.

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

A Director is not independent if the Director:

- a) is employed, or has previously been employed in an executive capacity by the Company or a subsidiary of the Company, and there has not been a period of at least three years between ceasing such employment and being a Director;
- b) has within the last three years been a principal of a Material professional adviser or a Material consultant to the Company or its subsidiaries, or an employee materially associated with the service provided;
- c) is a Material supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a Material supplier or customer; or
- d) has a Material contractual relationship with the Company or its subsidiaries other than as a Director.

For the purpose of this section, **Material** has the meaning determined by the Directors.

A Director will not cease to be independent only because that Director is a Director of a subsidiary of the Company or Director of a subsidiary thereof.

The Boards will review and assess the independence of each Director annually.

Where a Director is not independent by reason of this section, the Boards may elect to approve the appointment of a Director on any terms they deem appropriate and manage any non-independence, subject to APRA approval.

9.4. BOARD RENEWAL

The eligibility criteria for appointment to the HCF Board as a Director, and remaining a Director, is set out in Schedule 2 of the Constitution and will operate in conjunction with the Company's Board Renewal Policy.

The process of selection and appointment of new Directors to the HCF Board and the retirement of Directors is set out in Rules 33 to 40 of the Company's Constitution.

9.5. REMUNERATION OF DIRECTORS

In accordance with the HCF Constitution, the HCF Board will recommend the total remuneration of Directors to its Members for approval at the Annual General Meeting,

The Boards have determined, for the present, its recommendation will be pursuant to and in consideration of the recommendation provided by the People, Culture and Remuneration Committee.

10. CONDUCT OF BOARD BUSINESS

10.1. FREQUENCY AND CALLING OF MEETINGS

The Boards will meet on at least eight occasions each year at appropriate intervals. Additional Board meetings may be convened during the year, when required to carry out its responsibilities.

The Chair must call a meeting of the Boards if requested by any Director, the External Auditor, the Head of Internal Audit or Appointed Actuary.

10.2. QUORUM OF MEETINGS

In accordance with the Constitution, the quorum for a Board meeting will equate to 50% plus one (rounded up to the next whole number) of the Directors entitled to vote.

The quorum must be present at all times during the meeting. No business may be transacted at any meeting of the Board unless a quorum is present. The majority of Directors present, and eligible to vote at all Board meetings, must be non-executive Directors.

10.3. CONDUCT OF MEETINGS

Meetings will be conducted in accordance with the HCF Constitution and the Corporations Act. They will be formally structured, held in appropriate facilities with timely notice, agendas and supporting papers and minutes of prior meetings distributed sufficiently in advance.

Matters will be debated openly and constructively amongst the Directors. The Boards may invite management or external consultants to attend Board meetings, where necessary or desirable.

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.

The non-executive Directors will meet, for part of any meeting, in the absence of executive Directors and management on at least two occasions each year.

The Boards will provide the external auditor and the Appointed Actuary with the opportunity to raise matters directly with the Boards.

The Board may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the HCF Constitution, this Charter or any resolution of the Board.

10.4. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Directors have the ability to access members of the management team (or any other relevant staff) at any time to request relevant information in accordance with any protocols adopted by the Board from time to time.

Directors may seek independent professional advice as required in relation to his/her role or responsibilities as a Director of the Companies, at the Companies' expense, with the prior approval of the Chair, which will not be unreasonably withheld. Directors must ensure that the costs are reasonable. The information or advice obtained must be made available to the rest of the Boards.

10.5. APRA

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

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

10.6. DEALING WITH EXTERNAL STAKEHOLDERS

Generally, communication with the media, government representatives and the investment community on Company issues will be undertaken by the Chief Executive Officer. Non-executive Directors should not become involved with the media, government representatives or the investment community in the normal course of the management of the Companies.

10.7. INTERNAL AUDIT

The Boards must 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. In its discretion, the Boards may request that the Audit and Finance Committee assist with this requirement.

11. EVALUATION OF BOARD AND COMMITTEE PERFORMANCE

The Chair will, on an annual basis, facilitate a discussion on, and formal evaluation of, Board and Committee performance relative to its objectives and the performance of individual Directors. The Chair may engage external consultants to facilitate Board and Director reviews.

12. INSURANCES

A Director and Officer Insurance program has been put in place by the Company. Directors are provided with a Deed of Access, Indemnity and Insurance on appointment which sets out the basis upon which Directors are indemnified in relation to actions which may be taken against them and their rights to access Company records.

13. REVIEW OF CHARTER

The Boards will review this Board Charter on an annual basis and amend it as appropriate.

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

TITLE	DATE	SIGNATURE
Company Secretary	29 June 2023	<i>Nathan Francis</i>
Head of Legal & Compliance	29 June 2023	<i>Stuart Samard</i>

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



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