

# **HCF LIFE** **BOARD CHARTER**

**HCF Life Insurance Company Pty Ltd**  
**(ACN 001 831 250)**  
**(the "Company")**

**HCF LIFE BOARD APPROVAL DATE: 28 JUNE 2023**

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## 1. INTRODUCTION AND PURPOSE OF THIS CHARTER

HCF Life Insurance Company Pty Ltd (ACN 001 831 250) (the **Company**) is an unlisted proprietary limited company and a wholly owned subsidiary of The Hospitals Contribution Fund of Australia Ltd (the **Parent Company**), a public company limited by guarantee.

The purpose of this Board Charter is to set out the corporate governance structure of the Company (including for its subsidiary) to facilitate the sound and prudent management and governance of the operations of the Company in accordance with its Constitution and in compliance with applicable legislative and regulatory requirements including:

- a) APRA Prudential Standard CPS 510 – Governance (the **Standard**);
- b) the *Life Insurance Act 1995* (Cth); and
- c) the Company's Australian Financial Services Licence.

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

## 2. ROLE OF THE BOARD

### 2.1. ROLE

The Board is responsible for the overall governance of the Company including overseeing the continuity of the Company's business and long-term viability, strategic guidance and effective oversight of management. To achieve these roles the Board has reserved to itself the following responsibilities.

### 2.2. RESPONSIBILITIES

The Board's responsibilities include:

#### 2.2.1 Strategy

- a) setting the strategic direction and performance objectives of the Company in accordance with its Risk Appetite Statement and the business objectives of its subsidiary;
- 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 Company's performance objectives;
- d) reviewing the social, environmental and ethical impacts of the Company's business practices and approving standards for social, environmental and ethical practices including the Company's Code of Conduct and its Corporate Social Responsibility Statement;

#### 2.2.2 Director skills and oversight of management

- e) with the agreement of the Parent Company, appointing and removing the General Manager;
- f) with the agreement of the Parent Company appointing and removing the Company Secretary, the HCF Life Chief Financial Officer and the Chief Risk Officer;
- g) ensuring that Directors and senior management collectively have the full range of skills needed for the effective and prudent operation of the Company, 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 Company and its legal and prudential obligations in order to ensure that the Company is managed in an appropriate way taking into account these risks;
- h) approving succession plans for key individuals;
- i) monitoring senior management's performance against agreed criteria;
- j) providing advice and counsel to management;

#### 2.2.3 Remuneration

- k) overseeing the remuneration framework and its effective application;

- l) overseeing the key people, culture and remuneration practices of the Company;
- m) approving the HCF Group Remuneration Framework, HCF Group Executive Remuneration Policy and HCF Group Remuneration Policy (General Employees), as related to the Company, annually or as otherwise required, having regard to recommendations from the People, Culture & Remuneration Committee;
- n) 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 (where relevant to the Company) 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

- o) allocating appropriate human and financial resources;
- p) reviewing and approving the financial statements and the Financial Condition Report of the Company;
- q) monitoring the financial performance of the Company;
- r) overseeing that at all times a framework and supporting policies and controls are in place to maintain the integrity of the Company's financial statements;
- s) overseeing the reliability and appropriateness of the disclosure of the Company's financial statements and external financial communication;
- t) 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**);
- u) reviewing, approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, investment management and material commitments;
- v) with the agreement of the Parent Company, where the role is vacant, appointing External Auditors;
- w) appointing and removing investment advisers and internal auditors;

#### 2.2.5 Risk Management and Compliance

- x) reviewing and approving the Company's Risk Management Strategy, Risk Management Framework, Risk Appetite Statement and compliance frameworks;
- y) 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;
- z) monitoring that regulatory reporting and notification requirements are met;
- aa) reviewing Company policies and functions utilised by the Company so that they give appropriate regard to the business and the specific requirements of the Company, as a life insurer;

#### 2.2.6 Stakeholders

- bb) monitoring that effective business relationships are being maintained with the Company stakeholders including regulators and the external auditors;
- cc) 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 Company, and that the Company's purpose, mission and values are clearly articulated and modelled by the Board in its conduct and decision-making;
- dd) maintaining appropriate engagement between the Board and senior management of the Company, particularly with respect to key performance indicators and the allocation of resources;

- ee) 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
- ff) any other matters that require Board approval in accordance with the Company's Constitution, any regulatory or legislative requirements or any Board committee or Parent Company Board committee.

### **3. ROLE OF THE CHAIR**

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

- a) providing appropriate leadership to the Board;
- b) monitoring that Directors receive the appropriate induction;
- c) monitoring that the membership of the Board 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 Company are addressed and that adequate time is allocated for consideration of all issues;
- f) monitoring the performance of the Board;
- g) guiding and promoting the on-going effectiveness and development of the Board and individual Directors;
- h) liaising with the Chair of the Parent Company Board and any Company Committee and Parent Company Committee that is deemed necessary to assist with the corporate governance of the Company;
- i) liaising with any person as deemed necessary to assist with fulfilling the responsibilities of the Board; and
- j) promoting constructive relationships between Board members and between the Board 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 its current and prospective policyholders;
- b) owing a fiduciary duty to the Company 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 Company's 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 Company and its subsidiary are operating efficiently, effectively and legally towards achieving its goals;
- h) understanding collectively the risks to the Company;
- i) understanding the Company's legal and prudential obligations;
- j) overseeing the effective management of the Company, 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 Board;

- m) not permitting the Company or its subsidiary 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. DUTIES AS A DIRECTOR OF A LIFE INSURER UNDER THE LIFE INSURANCE ACT**

In exercising the powers and carrying out their duties as officers of the Company in relation to statutory funds, to comply with the duties set out in section 48 of the *Life Insurance Act 1995* including:

- p) taking reasonable care, and using due diligence in the investment, administration and management of the assets of the statutory funds;
- q) giving priority to current and prospective policyholders of the statutory funds;

#### **4.3. TIME COMMITMENT AND PARTICIPATION IN BOARD AND COMPANY MEETINGS**

- r) to devote sufficient time to properly perform their duties to the Company, and to assist the Board in carrying out its responsibilities;
- s) 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;
- t) to keep confidential Board discussions, deliberations and decisions except where decisions are required to be publicly disclosed;

#### **4.4. 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:

- u) disclose to the Board 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;
- v) inform the Chair of any proposed board or executive appointments they are considering undertaking;
- w) if deemed desirable by the Board or the Director, take such steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period;
- x) comply with the Corporations Act provisions relating to disclosing interests and restrictions on voting; and
- y) follow the agreed procedures to assist Directors in disclosing potential conflicts of interest.

#### **4.5. CODE OF CONDUCT AND ETHICAL STANDARDS**

To observe the HCF Group Code 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.

#### **4.6. AVAILABILITY TO REGULATORS**

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

#### **4.7. FITNESS AND PROPRIETY**

In accordance with the HCF Life 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 Board 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 Board, Committees and management to ensure Company Secretariat activities align with business needs and business strategy.

### **6. ROLE OF MANAGEMENT**

The General Manager (with the assistance of management) is responsible to the Board and to the Chief Officer Product & Diversified Business and Managing Director & Chief Executive Officer of the Parent Company for:

- a) the overall management and performance of the Company's business;
- b) providing the Board with information that will assist the Board in discharging its duties;
- c) preparing and monitoring the Company's Business Plan, Budget and Risk Appetite Statement (with the CRO);
- d) reporting on performance against the Company's Business Plan, Budget and Risk Appetite Statement to the Board on intervals agreed by the Board;
- e) implementing, managing and overseeing adherence to plans, all material risks consistent with the Company's strategic objectives, risk appetite statement and policies and procedures in accordance with directives from the Board;
- 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 are effective to manage risks; and
- h) facilitating that senior management are available to meet with any regulator on request.

The designated Chief Risk Officer is responsible for assisting the Board, its committees and senior management to develop and maintain the Risk Management Framework and to report to the Board and its committees on any significant breach of, or material deviation from, the Risk Management Framework.

### **7. DELEGATIONS OF AUTHORITY**

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

#### **7.1. DELEGATION TO BOARD COMMITTEES**

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



The Board 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 Board.

The Chair of the Board 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 three standing committees:

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

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

## **7.2. DELEGATIONS TO THE HCF GROUP PEOPLE, CULTURE AND REMUNERATION COMMITTEE**

The Board has delegated certain responsibilities in relation to remuneration to the HCF Group People, Culture and Remuneration Committee. In particular, the Board has delegated the 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 HCF Group People, Culture and Remuneration Committee.

## **7.3. DELEGATIONS TO MANAGEMENT**

The Board has delegated to the General Manager the authority to manage the day to day affairs of the Company in relation to all matters other than those responsibilities reserved to the Board in this Board Charter and as prescribed by law.

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

## **7.4. OVERSIGHT OF DELEGATIONS**

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

# **8. BOARD STRUCTURE AND RENEWAL**

## **8.1. BOARD COMPOSITION AND SIZE**

Pursuant to the Standard, the Board 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 Board has determined, for the present, the number of Directors will not be less than five or more than eight.

## **8.2. CHAIR**

The Board will elect one of its members to be the Chair. The Chair of the Board will be an Independent Director appointed by the Board and must not have been the General Manager of the Company at any time during the past three years.

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.

### **8.3. DIRECTOR INDEPENDENCE**

Pursuant to the Standard, the Board has 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 a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company except where the Director is an independent Director of the Parent Company;
- b) is employed, or has previously been employed in an executive capacity by the Company or another subsidiary of the Parent Company, and there has not been a period of at least three years between ceasing such employment and being a Director;
- c) has within the last three years been a principal of a Material professional adviser or a Material consultant to the Company or another subsidiary of the Parent Company, or an employee materially associated with the service provided;
- d) is a Material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a Material supplier or customer; or
- e) has a Material contractual relationship with the Company or another subsidiary of the Parent Company 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 the Parent Company or another subsidiary of the Parent Company or subsidiary of the Company.

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

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

### **8.4. BOARD RENEWAL**

The process of selection and appointment of new Directors to the Board and the retirement of Directors is set out in the Company's Constitution and the HCF Life Board Renewal Policy.

### **8.5 REMUNERATION OF NON-EXECUTIVE DIRECTORS**

In accordance with the Company's Constitution, proposed changes to the remuneration of the Company's Non-executive Directors or remuneration for new appointments, must be referred to the Board for approval, having regards to recommendations from the HCF Group People, Culture and Remuneration Committee.

## **9. CONDUCT OF BOARD BUSINESS**

### **9.1. FREQUENCY AND CALLING OF MEETINGS**

The Board will meet on at least four 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 Board if requested by any Director, the External Auditor, the Head of Internal Audit or Appointed Actuary.

### **9.2. QUORUM OF MEETINGS**

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

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.

### **9.3. CONDUCT OF MEETINGS**

Meetings will be conducted in accordance with the 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 Board 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 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 Board will provide the external auditor and the Appointed Actuary with the opportunity to raise matters directly with the Board.

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 Company's Constitution, this Charter or any resolution of the Board.

### **9.4. 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 their role or responsibilities as a Director of the Company, at the Company's 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 Board.

### **9.5. APRA**

No prospective, current, or former officer, employee or contractor (including professional service provider) of the Company, 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 Company, or from providing documents under their control to APRA, that may be relevant in the context of the management or prudential supervision of the Company.

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 Company.

### **9.6. 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 Company.

### **9.7 INTERNAL AUDIT**

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

## **10. 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.

## 11. INSURANCES

A Director and Officer Insurance program has been put in place by the Parent Company in respect of itself and its subsidiaries which includes 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.

## 12. REVIEW OF CHARTER

The Board 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 current operational and regulatory requirements.

TITLE	DATE	SIGNATURE
Head of Legal & Compliance	28 June 2023	<i>Stuart Samard</i>
Company Secretary	28 June 2023	<i>Nathan Francis</i>

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



EMAIL US  
[companysecretary@hcf.com.au](mailto:companysecretary@hcf.com.au)