



Audit, Risk & Compliance Committee Charter

The Hospitals Contribution Fund of Australia Ltd
(ACN 000 026 746)
(the "Company")

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1. Introduction and Purpose of this Charter

The Audit, Risk & Compliance Committee (**Committee**) has been established by the Board of The Hospitals Contribution Fund of Australia Ltd (**Board**) to provide an objective, non-executive review of the effectiveness of the Company's financial reporting and risk management framework.

The Board authorises the Committee, within the scope of its responsibilities, to perform the activities set out in this Charter.

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

2. Role of the Committee

2.1. Role

The principal role of the Committee is to assist the Board in fulfilling its corporate governance and oversight review responsibilities in objectively assessing the effectiveness of the Company's:

- a) financial and statutory reporting;
- b) financial condition;
- c) internal control structure;
- d) internal and external audit functions;
- e) Appointed Actuary;
- f) risk management framework and systems;
- g) fraud prevention;
- h) compliance framework and systems; and
- i) corporate insurance program.

2.2. Responsibilities

The Committee's responsibilities include:

Financial Reporting

- a) reviewing financial reports and statements for compliance with accounting standards and policies and other requirements relating to the preparation of financial reports and assessing whether the financial reports are consistent with the Committee members' information and knowledge;
- b) reviewing the appropriateness of the accounting policies adopted by management in relation to the financial reports;
- c) reviewing and making recommendations to the Board regarding significant financial, accounting and reporting issues;
- d) reviewing all representation letters signed by management to ensure the information provided is appropriate;
- e) reviewing the effectiveness of the Company's financial reporting framework and supporting policies and controls to maintain the integrity of the Company's financial statements;

Risk Management and Compliance

- f) reviewing and recommending the Company's Risk Appetite Statement for consideration by the Board;
- g) at least annually reviewing the Company's risk management framework for identifying, monitoring and managing significant business as well as economic, tax, environmental, social, regulatory, compliance, operational, reputational and insurance risks facing the Company and matters related to significant new business and change management activities to ensure the risk management framework remains sound and that the Company is operating within the risk appetite set by the Board;
- h) assessing the adequacy of the Company's written policies to manage risk and the effectiveness of procedures in place to monitor and evaluate compliance with such policies;

- i) reviewing and making recommendations on the appropriate level and quality of reporting on the performance and application of the risk management system;
- j) reviewing the Company's systems and procedures for compliance with applicable legal and regulatory requirements including the timely identification and implementation of legislative or regulatory change;
- k) receiving regular reports from management on fraud, significant compliance breaches and material risk incidents and monitoring actions taken to ensure that any incidents identified are promptly rectified;
- l) overseeing the timely follow up of any significant weaknesses in internal controls that have been identified and reported to the Committee;
- m) reviewing and recommending to the Board for approval the Company's Whistleblower Policy for the confidential disclosure of known or suspected breaches of the Company's Code of Conduct, policies or laws and monitor its effectiveness;

Internal Audit

- n) reviewing and recommending to the Board the scope of the internal audit plan and regularly reviewing the plan to ensure it covers, in conjunction with the external audit plan, all material risks and financial reporting requirements;
- o) reviewing the Internal Auditor's Charter and quality control procedures overseeing that they are clearly documented;
- p) reviewing the internal auditor's reports on significant findings and recommendations on internal controls and management's response to maintain that issues are addressed in an appropriate and timely manner;
- q) monitoring that the internal audit function is adequately resourced and skilled for the size and corporate complexity of the HCF Group of Companies (**HCF Group**);
- r) reviewing the performance, expertise, objectivity, independence and effectiveness of the internal audit function;
- s) assisting the Board to be satisfied that the internal audit function is independent and that internal audit processes are clearly documented and subject to regular review and that the internal audit function has unfettered access to all business operations;
- t) reviewing and recommending to the Board the position description, selection criteria for and key performance indicators of the Head of Internal Audit, and recommending to the Board the appointment of candidates for the role of Head of Internal Audit, as well as where applicable the recommendation to the Board of the removal of the Head of Internal Audit;

External Audit

- u) annually considering and making recommendations to the Board on the appointment, reappointment, rotation of the lead partner or replacement of the external auditors as well as assessing the adequacy, expertise and competency of the external auditor;
- v) reviewing the terms of engagement and fees of the external auditor at the start of each audit;
- w) reviewing the scope and plan for the annual external audit to ensure it covers all material risks and financial reporting requirements;
- x) reviewing the findings of the audit with the external auditor and management's response to ensure issues are addressed in an appropriate and timely manner;
- y) reviewing the external auditor's engagement annually and being satisfied that the auditor is independent as defined in Part 2M.4 of the Corporations Act 2001 and any other applicable regulatory or professional standards;
- z) approving any engagement of the external auditors for non-audit related services unless otherwise delegated by the Board under the Company's Delegated Authority Policy. The Committee will not approve the engagement of the external auditor to perform any non-audit or assurance services that, in its opinion, may impair or appear to impair the external auditor's judgment or independence in respect of the Company;

Appointed Actuary

- aa) annually considering and making recommendations to the Board on the appointment, reappointment or replacement of the Appointed Actuary as well as assessing the adequacy, expertise and competency of the Appointed Actuary;
- bb) reviewing the terms of engagement and fees of the Appointed Actuary as required;
- cc) reviewing the scope and annual work plan of the Appointed Actuary;

- dd) reviewing reports of the Appointed Actuary and overseeing that all issues are being managed in an appropriate and timely manner;
- ee) reviewing and recommending to the Board the Financial Condition Report;

Corporate Insurance Program

- ff) assessing the appropriateness and adequacy of the Company's corporate insurance program (including Workers' Compensation insurance) in relation to managing risks; and
- gg) reviewing and recommending to the Board for approval any significant changes to the Company's corporate insurance program.

3. Role of the Chair

The Chair is responsible for:

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

4. Role of Committee Members

Committee members are responsible for:

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

5. Role of Management

Primary Responsibility

Management is responsible for:

- a) undertaking the audit, risk and compliance activities of the Company;
- b) the preparation, presentation and integrity of the financial reports and statements of the company;
- c) implementing, managing and maintaining prudentially compliant accounting, and financial reporting strategies;
- d) maintaining sufficient knowledge, skills and expertise within the audit, risk and compliance management functions; and
- e) fostering a culture of risk and compliance throughout the Company and embedding audit, risk and compliance obligations in business processes wherever possible.

Communication

The Chief Financial Officer (and other members of the management team, as appropriate) as well as the internal and external auditors and the Appointed Actuary, are responsible for facilitating that all financial and accounting matters are appropriately communicated to the Committee.

The Head of Internal Audit and the Head of Risk & Compliance respectively (and other members of the management team, as appropriate), are responsible for facilitating that all internal audit, risk and compliance matters are appropriately communicated to the Committee.

6. Committee Structure

6.1. Composition

The Committee will be comprised of at least four Independent Directors. All members of the Committee must be non-executive directors and a majority must be independent and free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgement as a member of the Committee.

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

All appointments (including that of the Chair) will be determined by the Board.

The term of service of members of the Committee will be reviewed by the Board at least annually, with a view to rotating members periodically, without, however, losing continuity of experience and knowledge gained by members of the Committee.

6.2. Chair

The Chair of the Committee will be appointed by the Board and must be an Independent Director, but must not be the Chair of the Board.

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

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

6.3. Attendance at meetings by non-members

All Directors of the Board are entitled to receive Committee papers and can attend the Committee as an invitee, subject to there being no conflict of interest. They are entitled to ask questions and express their views.

The External Auditor, Head of Internal Audit, Chief Risk Officer, Chief Financial Officer, Head of Risk & Compliance and Appointed Actuary shall be invited to attend each Committee meeting where appropriate.

Other persons/advisers may be invited to attend the Committee's meetings from time to time, by the Committee via the Chair.

7. Conduct of Committee Business

7.1. Frequency and calling of meetings

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

The Chair must call a meeting of the Committee if requested by any member of the Committee, the External Auditor, the Head of Internal Audit, Chief Risk Officer, Appointed Actuary or the Chair of the Board.

7.2. Quorum of meetings

The quorum for Committee meetings will be half the number of Independent Directors entitled to participate in the meeting plus one Committee member.

7.3. Secretary

The Secretary of the Committee will be the Company Secretary of the Board, or his/her nominee.

7.4. Conduct of meetings

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

Matters will be debated openly and constructively amongst Committee members. The Committee may invite management or external consultants to attend meetings, where necessary and 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 Committee will meet in private session at least once each year to assess the effectiveness of management, the External and Internal Auditors and the Appointed Actuary.

The Committee 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.

7.5. Access to Information and Independent Advice

The Committee will at all times have:

- a) free and unfettered access to the External and Internal Auditors, senior management, the heads of all risk management functions and the Appointed Actuary, and vice versa;
- b) unrestricted access to resources and information the Committee considers relevant to its responsibilities; and
- c) the authority to require management or others to attend a meeting and to provide any information or advice that the Committee requires.

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

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

The Head of Internal Audit has a direct reporting line and unfettered access to the Committee.

7.6. Delegation to Act

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

8. Reporting

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

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

9. Evaluation of Committee Performance

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

10. Review of Charter

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