



Board 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 Hospitals Contribution Fund of Australia Ltd ACN 000 026 746 (the **Company**) is a public company limited by guarantee.

The purpose of this Board Charter is to set out the corporate governance structure of the Company so as 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 HPS 510 – Governance (the **Standard**);
- b) the Private Health Insurance (Prudential Supervision) Act 2015; the Private Health Insurance Act 2007; and
- c) its 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 the long-term viability of the Company, strategic guidance of the Company 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:

Strategy

- a) setting the strategic direction and performance objectives of the Company 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 Corporate Plan and Budget which is approved by the Board each year;
- c) monitoring implementation of the Corporate 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;

Oversight of management

- e) appointing and removing the Chief Executive Officer;
- f) appointing and removing the Company Secretary and Chief Financial Officer;
- g) approving succession plans for key individuals;
- h) monitoring senior management's performance against agreed criteria, including an annual private session review by the independent directors, and approving senior management remuneration;
- i) providing advice and counsel to management;

Oversight of financial and capital management

- j) allocating appropriate human and financial resources;
- k) reviewing and approving the financial statements and the Financial Condition Report of the Company;
- l) monitoring the financial performance of the Company;
- m) 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;

- n) overseeing the reliability and appropriateness of the disclosure of the Company's financial statements and external financial communication;
- o) 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**);
- p) reviewing, approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, investment management and material commitments;
- q) appointing external auditors where the role is vacant, subject to approval at the next Annual General Meeting of the Company;
- r) appointing and removing investment advisers and internal auditors;

Risk Management and Compliance

- s) reviewing and approving the Company's Risk Appetite Statement and risk management and compliance frameworks;
- t) 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;
- u) monitoring regulatory reporting and notification requirements are met;
- v) 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;

Stakeholders

- w) confirming that effective business relationships are being maintained with Company stakeholders including regulators and external auditors;
- x) confirming 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;
- y) confirming that policies and functions for the Company and its subsidiaries take account of the business and private health insurer requirements of the Company;
- z) maintaining appropriate engagement between the Board and senior management of the Company 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;
- aa) approving the nominees for Councillor and Director positions and Director remuneration, subject to and in consideration of the recommendations of the delegated committees;
- bb) 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
- cc) any other matters that require Board approval in accordance with the Company's Constitution or the *Corporations Act 2001* (Cth) (**Corporations Act**).

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 any subsidiary company and any 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:

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 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 is 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 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 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;

Time commitment and participation in Board meetings

- p) to devote sufficient time to properly perform their duties to the Company and to assist the Board in carrying out its responsibilities;
- q) to confirm annually to the Board that the Director is able to devote sufficient time and attention to the Board for the coming year;
- r) 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;
- s) to keep confidential Board discussions, deliberations and decisions except where decisions are required to be publicly disclosed;

Conflict of Interest

In accordance with the Constitution, the Corporations Act and current best practice, to be sensitive to conflicts of interest that may arise and to:

- t) 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;
- u) inform the Chair of any proposed board or executive appointments they are considering undertaking;

- v) 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;
- 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.

Code of Conduct and Ethical Standards

To observe the HCF Company 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.

Availability to Regulators

To be available to meet with any regulator on request.

5. Role of the Company Secretary

The Company Secretary is accountable to the Board through the Chair on all corporate governance matters and is specifically responsible for:

- a) co-ordinating, organising and attending all Board Meetings;
- b) preparing minutes of meetings and resolutions of the Board in accordance with the HCF Director Board/Committee Paper and Minutes Policy;
- c) overseeing statutory and administrative procedures;
- d) identifying and implementing corporate governance issues, initiatives and opportunities; and
- e) liaising between the Board 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 Board 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 Corporate Plan, Budget and Risk Appetite Statement;
- d) reporting on performance against the Company's Corporate Plan, Budget and Risk Appetite Statement to the Board on intervals agreed by the Board;
- e) implementing and overseeing adherence to plans, 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 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 which will be reviewed at least every 2 years.

8. Delegations of Authority

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

8.1. 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 four standing committees:

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

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

8.2. Delegations to Management

The Board has delegated to the Chief Executive Officer 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.

8.3. 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.

9. Board Structure & Renewal

9.1. 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 non-executive;
- c) a majority of Directors who ordinarily reside in Australia; and
- d) at least three Independent Directors where there are not more than a total of seven Directors; or

- e) at least four Independent Directors where there are more than a total of seven Directors.

In accordance with the Constitution the Board has determined, for the present that the number of Directors will not be more than nine, the majority of who will be Independent Directors.

9.2. 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 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 in the role for up to 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 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 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.

The Board will review and make an assessment of 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 this lack of independence, subject to APRA approval.

9.4. Board Renewal

The eligibility criteria for appointment to the 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 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 Constitution, the Board will recommend the remuneration of Directors to its Members for approval at the Annual General Meeting,

The Board has determined, for the present, its recommendation will be pursuant to and in consideration of the recommendation provided by the Remuneration Committee.

10. Conduct of Board Business

10.1. Frequency and calling of meetings

The Board will meet on at least nine occasions throughout each year at appropriate intervals. Additional Board meetings may be convened as special meetings 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.

10.2. Quorum of meetings

In accordance with the Constitution, the quorum for a Board meeting will be 50% plus one 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 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 HCF Director Board/Committee Papers and Minutes Policy.

The non-executive Directors will meet 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.

Where approvals are granted outside a meeting of the Board, a report is to be provided to the next meeting of 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 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 Company, at the Company's expense, with the prior approval of the Chair, which will not be reasonably withheld. Directors must ensure that the costs are reasonable. The information must be made available to the rest of the Board.

10.5. APRA

No prospective, current, or former officer, employee or contractor (including professional service provider) of the Company, will 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 auditors, the Appointed Actuary and others, who have statutory responsibilities in relation to the Company.

10.6. Dealing with external stakeholders

Generally, communication with the media and the investment community on Company issues will be undertaken by the Chief Executive Officer. Non-executive Directors are not expected to become involved with the media or the investment community on Company affairs in the normal course of business.

10.7. Internal Audit

In accordance with the Standard, 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 insurer. In its discretion, the Board may request that Audit, Risk & Compliance 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 set objectives and the performance of individual Directors. The Chair may engage external consultants to facilitate Board and Director reviews.

12. Insurances

A Director & 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 Board will review this Board Charter on an annual basis in light of the Standard and current best practice governance principles and amend the Board Charter as appropriate.