

Board Charter

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

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1. Introduction and Purpose of this Charter

HCF Life Insurance Company Pty Limited is an unlisted proprietary limited company and a wholly owned subsidiary of The Hospitals Contribution Fund of Australia Limited (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 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) Prudential Standard CPS 510 – Governance (the **Standard**) issued by the Australian Prudential Regulation Authority (**APRA**);
- b) the *Life Insurance Act 1995* (Cth); and
- c) its Australian Financial Services Licence number 236806.

This Charter sets out the roles and responsibilities of the Board and particular roles within the Board structure and operations, which responsibilities have been delegated to committees of the Board or to management, as well as the Board structure and processes.

2. Role of the Board

2.1 Role

The Board is responsible for the overall governance of the Company including ensuring the continuity of the Company's business and the long-term viability of the Company.

2.2 Responsibilities

The Board's specific objectives and responsibilities are:

Strategy

- a) setting the strategic direction and performance objectives of the Company in accordance with its risk appetite;
- b) reviewing draft strategic initiatives before such initiatives are costed and included in the Corporate Plan and Budget which is approved by the Board in June each year;
- c) monitoring implementation of the Corporate Plan and the Company's performance objectives; and
- d) reviewing the social, environmental and ethical impacts of the Company's business practices and standards for social, environmental and ethical practices including the HCF Group Code of Conduct and its Corporate Social Responsibility Statement.

Oversight of management

- e) with the agreement of the Parent Company, appointing and removing the Managing Director;
- f) appointing and removing the Company Secretary, the Chief Financial Officer and the Chief Risk Officer;
- g) approving succession plans for key individuals;
- h) monitoring senior management's performance against agreed criteria, including a yearly private session review by the independent directors, and approving senior management remuneration; and
- 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) ensuring 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) ensuring the reliability and appropriateness of the disclosure of the Company's financial statements and external financial communication;

- o) ensuring that at all times a framework and supporting policies and controls are in place to maintain solvency and capital adequacy standards set by APRA;
- p) reviewing, approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, investment management and material commitments;
- q) with the agreement of the Parent Company, appointing and removing external and internal auditors; and
- r) appointing and removing investment advisers and internal auditors;

Risk Management and Compliance

- s) approving the Company's risk appetite statement and risk management and compliance framework;
- t) ensuring that there is, at all times, a sound risk culture throughout the Company and 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) ensuring regulatory reporting and notification requirements are met; and
- v) ensuring Parent Company policies and functions utilised by the Company give appropriate regard to the Company's business and its specific requirements;

Stakeholders

- w) ensuring effective business relationships are being maintained with Company stakeholders including regulators and external auditors;
- x) ensuring 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) ensuring that policies and functions for the Company take account of the business and life insurer requirements of the Company; and
- z) ensuring that there is appropriate engagement between the Board and senior management of the Company, particularly with respect to key performance indicators and allocation of resources.

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) ensuring Directors receive the appropriate induction;
- c) ensuring 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 ensuring 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 allowed 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 Parent Company Committee that is deemed necessary to assist with corporate governance of the Company; and
- i) promoting constructive relationships between Board members and between the Board and management.

4. Role of Individual Directors

The Directors' specific duties and responsibilities are:

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; and
- o) to exercise independent thinking and judgement in the discharge of these responsibilities.

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; and
- q) giving priority to current and prospective policyholders of the statutory funds;

Time commitment and participation in Board 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 confirm annually to the Board that the Director is able to devote sufficient time and attention to the Board for the coming year;
- t) 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; and
- u) 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* 2001 (**Corporations Act**) and current best practice, to be sensitive to conflicts of interest that may arise and to:

- v) 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;
- w) inform the Chair of any proposed board or executive appointments they are considering undertaking;
- x) 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;
- y) comply with the Corporations Act provisions relating to disclosing interests and restrictions on voting; and
- z) following the Board's procedures to assist them in disclosing potential conflicts of interest.

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 HCF 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 (including APRA) on request;

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:

- aa) ensure they maintain the skills and competencies appropriate to their appointment; and
- bb) annually provide confirmation of their fitness and propriety.

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 Managing Director (with the assistance of management) is responsible to the Board and to the Managing Director of the Parent Company for:

- a) the overall management and performance of the Company's business;
- b) ensuring the Board is provided with information that will assist the Board in discharging its duties;
- c) preparing and monitoring the Corporate Plan, Budget and Risk Appetite;
- d) reporting on performance against the Corporate Plan, Budget and Risk Appetite to the Board on a monthly basis with a more detailed review of operations provided to the Board quarterly;
- 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) ensuring that, at all times, the risk management and compliance framework and supporting policies and controls are effective to manage risks;
- h) reporting on:
 - i) any significant breach of, or material deviation from, the risk management framework; or
 - j) that the risk management framework did not adequately address a material risk; and
- k) ensuring senior management are available to meet with any regulator (including APRA) 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. Role of the Chief Risk Officer

The Chief Risk officer is responsible for:

- a) Providing effective challenge to activities and decisions that may materially affect the Company's risk profile;
- b) Participating in decision-making to support risk-based considerations that are consistent with the Company's risk appetite statement, risk management strategy and business plan; and
- c) Assisting the Board, its Committees and senior management to develop and maintain an effective risk management framework.

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 will, and Directors may, attend committee meetings.

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

There are currently 2 standing committees:

- a) Audit Committee; and
- b) Risk & Compliance Committee.

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

8.2 Delegations to the Parent Company Remuneration Committee/Board

The Board has delegated to the Parent Company Remuneration Committee/Board responsibilities in relation to remuneration. In particular the Board has delegated the approval of a 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 Parent Company Remuneration Committee/Board following input from the Board.

8.3 Delegations to Management

The Board has delegated to the Managing Director 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 HCF Group Delegated Authority Policy. Delegations are reviewed annually.

8.4 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.

9. Board Structure & Renewal

9.1 Board composition and size

Pursuant to the Standard, the Board must have a minimum of five Directors, the majority of who will be independent Directors. A majority of Directors and senior management must be ordinarily resident in Australia.

In accordance with the Constitution, the Board has determined, for the present, the number of Directors will not be more than eight, 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 Managing Director of the Company at any time during the past three years. However, if the position of Managing Director (or equivalent) is unexpectedly vacated, the Chair may serve in the role for up to 90 days.

9.3 Director Independence

Pursuant to the Standard, the Company's 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 serving on the Board;
- 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.

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

The Board will review and make an assessment of the independence of each Director annually.

9.4 Board Renewal

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

9.5 Remuneration of Non-executive Director

In accordance with the its Constitution, proposed changes to the remuneration of the Company's non-executive Directors or remuneration for new appointments, must be referred to the Parent Company Remuneration Committee/Board for approval.

10. Conduct of Board Business

10.1 Frequency of meetings

The Board will meet on at least 6 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.

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 Chief Risk Officer, external auditor and the Appointed Actuary with the opportunity to raise matters directly with 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 Managing Director. 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.

11. Evaluation of Board and Committee Performance

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

12. Insurances

A Director & 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 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 it as appropriate.