

# Risk and 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 Risk and Compliance Committee (**Committee**) has been established by the Board of the Company to provide an objective, non-executive oversight of the implementation and operation of the Company's risk management framework and compliance management in accordance with legislative and regulatory requirements.

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

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

## 2. Role and Responsibilities of the Committee

### 2.1 Role

The principal role of the Committee is to assist the Board in fulfilling their corporate governance and oversight responsibilities in objectively assessing the effectiveness of the Company's risk and compliance management framework, including monitoring that an appropriate framework of policies, procedures, internal controls, reporting, ethical standards (including the HCF Code of Conduct) and management accountability are established for risk management and legal/regulatory compliance and are consistently maintained. This responsibility includes recommending to the Board the allocation of appropriate resources to achieve the results targeted.

### 2.2 Responsibilities

The Committee's responsibilities include:

#### **Risk Management and Compliance**

- a) the overall policy direction of the risk management and compliance functions;
- b) the attitude and appetite for risk and the extent to which risk culture supports the Company's ability to operate consistently within its risk appetite;
- c) monitoring any desirable changes to risk culture, to facilitate a strong risk culture being maintained;
- d) reviewing and recommending the Company's Risk Appetite Statement, Risk Management Policy and Risk Management Strategy for consideration by the Board;
- e) advising the Board on the Company's overall current and future risk appetite and Risk Management Strategy, relative to its capital strength;
- f) overseeing the implementation and operation of the risk management framework and internal compliance systems for effective management of financial and non-financial risks;
- g) monitoring compliance with the Company's Risk Management Framework including that any significant breaches or material deviations from the Risk Management Framework are assessed and satisfactorily managed;
- h) at least annually reviewing the Company's Risk Management Framework for identifying, monitoring and managing significant business as well as economic, environmental and social risks facing the Company to monitor that the Risk Management Framework remains sound and that the Company is operating within the risk appetite set by the Board;
- i) overseeing that compliance with, and the effectiveness of, the risk management framework is subject to review by internal and/or external audit at least annually. The results of this review must be reported to the Audit and Finance Committee;
- j) periodically (and at least every three years) reviewing the report by an operationally independent, appropriately trained and competent person on the appropriateness, effectiveness and adequacy of the Company's Risk Management Framework;
- k) oversight of the HCF Information Security Framework and Information Security Policy, including monitoring of reporting, compliance, incident management and effectiveness, and making any recommendations to the Board for approval of amendments to the Framework or Policy;

- l) oversight of the Company's policies and procedures to manage risk and compliance and oversight of managements review timetable for such policies and procedures;
- m) reviewing and making recommendations on the appropriate level and quality of reporting on the performance and application of the risk management system;
- n) 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;
- o) oversee the business continuity management of the Company to confirm ongoing identification, assessment and management of potential business continuity risks;
- p) review the Company's policies in respect to the outsourcing of material business activities;
- q) review reports from management concerning any obligations arising under legislation relating to Anti-Money Laundering/Counter-Terrorism Financing and internal policies;
- r) receiving regular reports from management on fraud, significant compliance breaches and material risk incidents as well as a summary of Financial Ombudsman Service complaints, and monitoring actions taken such that any incidents identified are promptly rectified;
- s) overseeing stress testing of key risks including both scenario analysis and sensitivity analysis; and
- t) assessing management's supporting documentation for the annual APRA risk management declaration, in order to be in a position to recommend the declaration to the Board for approval, as necessary.

### **Chief Risk Officer**

- u) recommending to the Board the appointment or removal of the Chief Risk Officer;
- v) reviewing the performance and setting the objectives of the Company's Chief Risk Officer;
- w) monitoring that the Chief Risk Officer has unfettered access to the Board and the Committee; and
- x) monitoring that APRA is notified as soon as practical, and no more than 10 business days, following the removal of the Chief Risk Officer.

### **Corporate Insurance Program**

- y) assessing the appropriateness and adequacy of the Company's corporate insurance program in relation to managing risks; and
- z) reviewing and recommending to the Board for approval the annual, and any significant changes to, the Company's corporate insurance program.

### **Sustainability**

- aa) assessing whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how these risks are managed; and
- bb) monitoring that appropriate disclosures are made regarding any material exposure to economic, environmental and social sustainability risks.

## **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 address core issues within the Committee's scope and referring such to the Board (where required) and that adequate meeting 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) opting for non-participation in discussion and voting on any issue for which the Committee member has an actual or potential conflict of interest;
- e) devoting as much time and attention to the Committee for it to carry out its responsibilities; and
- f) making themselves available to meet with any regulator (including APRA) on request.

## 5. Role of Management

### 5.1. Primary Responsibility

Management is responsible for:

- a) undertaking the risk management and compliance activities of the Company;
- b) maintaining sufficient knowledge, skills and expertise within the risk and compliance management function
- c) fostering a strong culture of risk management and compliance throughout the Company and embedding risk and compliance obligations in business processes wherever possible; and
- d) escalating any new and heightened risks in a timely manner.

### 5.2. Communication

The Managing Director and the Chief Risk Officer (and other members of the management team, as appropriate), are responsible for facilitating that all risk management and compliance matters that fall within the Committee's scope of responsibilities are appropriately communicated to the Committee.

## 6. Committee Structure

### 6.1. Composition

The Committee will be comprised of at least 3 Non-Executive Directors with a majority to be independent.

The criteria used in defining independence are set out in the Company's Board Charter. All appointments (including that of the Chair) and rotations will be determined by the Board.

### 6.2. Chair

The Chair of the Committee will be appointed by the Board.

The Chair must be an Independent Director and must not be the Chair of the Board.

The Chair should have leadership experience and a strong risk management 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 but are not entitled to vote.

The Chief Risk Officer will be invited to attend all relevant sections of meetings of the Committee.

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 of meetings**

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

### **7.2. Quorum**

The quorum for Committee meetings will be two members.

### **7.3. Secretary**

The Secretary of the Committee will be the Company Secretary of the Board.

### **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.

The Committee will meet in private session at least once each year to assess the effectiveness of management, including the Chief Risk Officer.

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.

### **7.5. Access to Information and Independent Advice**

The Committee will at all times have:

- a) free and unfettered access to the Head of Internal Audit and External Auditor, senior management, the Chief Risk Officer, financial control personnel and the Appointed Actuary, and vice versa; and
- b) unrestricted access to resources and information the Committee considers relevant to its responsibilities.

The Committee will provide sufficient opportunity (on at least one occasion each year) for the External Auditor, Head of Internal Audit, Chief Risk Officer and the Appointed Actuary to meet privately with members of the Committee and monitoring that the Head of Internal Audit, External Auditor, Chief Risk Officer 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 Chief Risk Officer has a direct reporting line and unfettered access to the Committee, in addition to the agreed executive reporting line.

## **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 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.