

RISK, COMPLIANCE & SUSTAINABILITY COMMITTEE CHARTER

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

BOARD APPROVAL DATE: **4 SEPTEMBER 2024**

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1. INTRODUCTION AND PURPOSE OF THIS CHARTER

The Risk, Compliance and Sustainability Committee (**Committee**) has been established by the Board of The Hospitals Contribution Fund of Australia Ltd (HCF or 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 role of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in objectively assessing the effectiveness of the Company's risk, compliance and sustainability framework, including monitoring that an appropriate framework of policies, procedures, systems, internal controls, reporting, ethical standards (including the HCF Group Code of Conduct) and management accountability are established for risk management, legal/regulatory compliance and sustainability are consistently maintained. This responsibility includes recommending to the Board the allocation of appropriate resources.

2.2. RESPONSIBILITIES

The Committee's responsibilities include:

2.2.1 Risk Management and Compliance

- a) setting the overall policy direction of the risk management and compliance functions, subject to direction by the Board;
- b) setting 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, subject to direction by the Board;
- c) monitoring any desirable changes to risk culture, to facilitate a strong risk culture being maintained;
- d) 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;
- e) receiving reports from senior management and advising the Board on the Company's overall current and future risk appetite and Risk Management Strategy;
- f) overseeing a Company wide view of the Company's current and future risk position relative to its risk appetite and capital strength;
- g) annually reviewing and recommending the Company's Risk Management Framework, Risk Management Strategy and Risk Appetite Statement for consideration and approval by the Board;
- h) overseeing the effective operation of the Company's Recovery and Exit Plan, receiving reports in relation to trigger metrics, annually reviewing the Plan and making any recommendations to the Board for approval of amendments to the Plan;
- i) overseeing of senior management's implementation and operation of the risk management framework and internal compliance systems for effective management of the Company's financial and non-financial risks;
- j) overseeing that the Company's operational structure facilitates effective risk management;
- k) overseeing that sufficient and experienced resources are dedicated to risk management and compliance;
- l) monitoring compliance with the Company's Risk Management Framework including that any significant breaches or material deviations from that framework are assessed and satisfactorily managed;
- m) overseeing that compliance with, and the effectiveness of, the Company's 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 Company's Audit and Finance Committee;

- n) liaising with the People, Culture and Remuneration Committee to provide assurance to the Board that the interpretation and application of HCF Group's Remuneration Policies and annual remuneration outcomes and practices are consistent with the Risk Management Framework, including that actual risk outcomes are appropriately reflected in those remuneration outcomes and practices;
- o) 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;
- p) overseeing 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;
- q) overseeing the Company's policies and procedures to manage risk and compliance and oversight of management's review timetable for such policies and procedures;
- r) reviewing the appropriate level and quality of reporting on the performance and application of the risk management system;
- s) overseeing the adequacy of 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;
- t) overseeing the business continuity management of the Company to confirm ongoing identification, assessment and management of potential business continuity risks, and making any recommendations to the Board for approval of amendments to the Business Continuity Policy;
- u) reviewing the Company's policies in respect to the outsourcing of material business activities;
- v) constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the Company's activities;
- w) reviewing reports from management concerning any obligations arising under legislation relating to Anti-Money Laundering/Counter-Terrorism Financing and internal policies relating to those obligations;
- x) receiving regular reports from management on any fraud, significant compliance breaches and material risk incidents as well as a summary of AFCA complaints, and monitoring actions taken such that any incidents identified are promptly rectified;
- y) overseeing stress testing of key risks including both scenario analysis and sensitivity analysis;
- z) assessing management's supporting documentation for the annual APRA risk management declaration and recommending the declaration to the Board for approval.

2.2.2 Financial Accountability Regime

- a) Reviewing and approving plans for, and oversee implementation of, the HCF Group accountability arrangements, policies and systems to comply with the *Financial Accountability Regime* (FAR) requirements which become effective on and from 15 March 2025;
- b) Ensuring the Chief Risk Officer provides the People and Culture Remuneration Committee (PCRC) with reports regularly, and at least twice in any financial year, relating to the discharge of accountability obligations, so that the PCRC may make informed recommendations to the Board on remuneration (including variable remuneration) outcomes for roles under its remit. These reports will include the following:
 - i. Consequence Management Outcomes including conduct risk as they relate to the Specified Roles and other Designated Persons (as those terms are defined under PCRC charter); and from 15 March 2025:
 - ii. Compliance with HCFs Accountability Framework obligations by the Accountable Persons (as that term is defined by FAR) and consequence management outcomes including conduct risk as they relate to Accountable Persons.

2.2.3 Operational Risk (CPS 230)

- a) Reviewing and approving plans for and oversee implementation or adjustment of systems, policies and processes required to comply with operational risk management requirements under *APRA Prudential Standard CPS 230 Operational Risk Management*.

- b) On and from 1 July 2025, exercising oversight of the Company's operational risk management framework and effectiveness of key internal controls in maintaining the Company's operational risk profile within risk appetite, including:
 - i. reviewing the material service provider policy and making any recommendations to the Board for approval of amendments to that policy;
 - ii. reviewing updates on the Company's risk profile and making recommendations to the Board for amendments to those updates;
 - iii. reviewing risk and performance reporting on material service providers and making recommendations to the Board for amendments to that reporting;
 - iv. overseeing tolerance levels for disruptions to critical operations and making any recommendations to the Board for approval of amendments to tolerance levels; and
 - v. reviewing compliance of tolerance levels from senior management, including the results of testing of tolerance levels and whether there has been any failure to meet tolerance levels, reporting those results to the Board and making recommendations to the Board on implementation of any findings, including providing a remediation plan.

2.2.4 Chief Risk Officer

- a) recommending to the Board the appointment or removal of the Chief Risk Officer;
- b) reviewing the performance and setting the objectives of the Company's Chief Risk Officer;
- c) ensuring that the Chief Risk Officer has unfettered access to the Board and the Committee; and
- d) monitoring that APRA is notified as soon as practical, and no more than ten business days, following the removal of the Chief Risk Officer.

2.2.5 Corporate Insurance Program

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

2.2.6 Sustainability

- a) the overall policy direction for sustainability within the Company;
- b) reviewing and recommending the Company's Sustainability Strategy, reporting framework and overall roadmap (including the setting, disclosing and achievement of targets such as net zero) for consideration and approval by the Board;
- c) reviewing progress against identified sustainability priorities and associated implementation roadmaps;
- d) overseeing the appropriate management and prioritisation of sustainability risks and opportunities and ensuring these are incorporated into HCF's long-term corporate strategy and Risk Management Framework;
- e) overseeing the implementation of the Company's Sustainability Strategy and roadmap in relation to climate action and environmental impact;
- f) overseeing the Company's social sustainability plans including how the Company delivers social impact (improvement that solves inequalities and injustices) to members and the broader community;
- g) reviewing and recommending to the Board for approval the external statements and disclosures around sustainability made by the Company (except those relating to sustainability reporting standards), including relevant sections in the 'Year in Review' Report;
- h) considering the Company's position on relevant emerging sustainability issues;
- i) considering any other matters relevant to sustainability that are referred by the Board; and
- j) monitoring that the Company is meeting all necessary regulatory and legislative requirements in relation to sustainability and related matters.

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, compliance and sustainability 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; and
- d) escalating any new and heightened risks in a timely manner.

5.2. COMMUNICATION

The Chief Executive Officer and Managing Director and the Chief Risk Officer (and other members of the management team, as appropriate) are responsible for facilitating that all risk management, compliance and sustainability 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 three Directors, all of whom must be Non-Executive Directors with a majority to be independent.

The criteria used in defining independence are set out in the Company 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, regulatory and compliance and/or legal 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 Committee 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.

I confirm that I have reviewed this Charter and am satisfied that it captures all operational and regulatory requirements.

TITLE	DATE	SIGNATURE
Chief Risk Officer	26 August 2024	<i>Bruce Christie</i>
Head of Legal & Compliance	26 August 2024	<i>Stuart Barnard</i>
Group Company Secretary	26 August 2024	<i>Nathan Francis</i>

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

 EMAIL US
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