

**FINANCE AND INVESTMENT COMMITTEE OF
HBF HEALTH LIMITED AND SUBSIDIARIES
TERMS OF REFERENCE**

In these Terms of Reference:

“Group” means HBF and each of its Subsidiaries

“HBF” means HBF Health Limited.

“Subsidiary” means each of HBF’s subsidiaries, including the operating entities of HBF Insurance Pty Ltd, HBF Holdings Pty Ltd, HBF Financial Services Pty Ltd and HealthGuard Health Benefits Fund Limited.

“Committee” means the Finance and Investment Committee

1. Objectives

1.1 The primary objective of the Committee is to assist the Group Boards in fulfilling their responsibilities relating to:

- investment portfolio
- capital management
- asset management (non-investments such as buildings)
- HBF’s default employee superannuation plan

and the Committee will ensure that the specific requirements of HBF and each Subsidiary in relation to those responsibilities are met.

1.2 The Committee will also provide advice and recommendations on any matters of significance, which may be referred to it by the Group Boards from time to time.

1.3 The initial focus of the Committee is to review, considering the unprecedented investment market volatility, the investment portfolio, capital adequacy and liquidity positions of:

- a. HBF Health Fund Inc (HBF)
- b. HBF Insurance Pty Ltd (HBF Insurance)
- c. HBF Holdings Pty Ltd (Holdings)
- d. HealthGuard Health Benefits Fund Limited (HealthGuard)

and to recommend appropriate action if required.

2. Responsibilities

The duties of the Committee are as follows:

2.1 Investment Portfolio

2.1.1 Periodically review and ensure that the investment policies and strategy are appropriate for organisations of the Group’s type.

2.1.2 Monitor the performance of the investment strategy and portfolio and make appropriate structural changes on a timely basis.

- 2.1.3 Respond both tactically and strategically to changing circumstances where the investment portfolio is adversely affected.
- 2.1.4 Review and monitor liquidity and ensure appropriate policy is in place.
- 2.2 Capital Management
 - 2.2.1 Periodically review and ensure that the capital management policies are appropriate for organisations of the Group's type.
 - 2.2.2 Ensure that there are appropriate capital management plans for the Group that meet defined regulatory requirements.
 - 2.2.3 Monitor the regulatory solvency and capital adequacy positions to ensure both regulatory minimums and internal (Group) targets are met.
 - 2.2.4 Ensure that the capital deployed throughout the Group is used efficiently.
- 2.3 Asset & Liability Management
 - 2.3.1 Ensure that each entity has sufficient assets to meet their respective debts as and when they fall due.
 - 2.3.2 For the insurance entities of the Group, ensure that there are sufficient assets backing insurance liabilities in terms of value (sufficiency) and maturity (timing).
- 2.4 Employee Superannuation Plan
 - 2.4.1 Periodically review and ensure that the default employee superannuation plan for the employees of the HBF Group is appropriate.

3. Powers

- 3.1 The Committee has the authority to make decisions to implement, manage and monitor the investment strategy (including asset allocations and fund manager selection) as approved by the Group Boards, noting that the approval by the HBF Health Limited Board includes HBF Holdings Pty Ltd.
- 3.2 The Committee has the authority to consider any matter relevant to its responsibilities including related risk management policies and practices and related internal and external audit activity.
- 3.3 The Committee has the authority to seek any information it requires from any member of Management or employee of the Group or the External Auditor or the Approved Actuary.
- 3.4 The Committee is authorised to take independent professional advice, as it considers necessary.

- 3.5 The Committee has the authority to raise matters directly with the Board as it considers necessary
- 3.6 The Committee has no executive powers in relation to its findings and recommendations, except as delegated by the Group Boards.

4. Membership

- 4.1 All members of the Committee shall be non-executive Board members of the Group Boards and a majority must be independent. The number of Committee members shall be at least 3. Composition of the Committee shall take into account the existence of various subsidiaries within the Group provided that HBF Insurance Pty Ltd must be independently represented by at least one of its Board members on the Committee. Composition of the Committee shall be reviewed by the Board of HBF on an annual basis.
- 4.2 A quorum shall be two (2) members of the Committee.
- 4.3 The Chair of the Committee will be selected by the Board of HBF and will be independent.
- 4.4 All Committee members are to be financially literate and at least 2 are to have practical business experience in financial reporting, investment markets and financial markets.
- 4.5 At least one Committee member should also be a member of the Audit and Risk Management Committee .

5. Meetings

- 5.1 Approximately four meetings will be held each financial year, and as required.
- 5.2 The Chairman can call a meeting and will call a meeting of the Committee if requested by: -
 - 5.2.1 a Group Board member;
 - 5.2.2 the Managing Director of HBF;
 - 5.2.3 the Group Corporate Executive;
- 5.3 The Managing Director of HBF or his delegate shall attend each meeting.
- 5.4 The designated Secretary of the Committee shall attend each meeting.
- 5.5 The Secretary in conjunction with the Chairman, shall prepare an agenda, which will contain separate items for each entity of the Group where appropriate. The Agenda shall be circulated prior to each meeting to the members of the Committee.

- 5.6 The Managing Director of HBF, Group Corporate Executive and Chairs of the Group Boards will be circulated with the Notice of Meeting and any one of them may attend and speak at the meeting. Boards of Subsidiaries may nominate Board members or senior managers to attend any meetings of the Committee to address matters relating to the activities of the entity.
- 5.7 All Board members who are not members of the Committee shall have the right to attend meetings of the Committee.
- 5.8 The Committee shall, through its appropriate representative, report the findings and recommendations of the Committee to the Board of HBF and the Boards of any Subsidiary to which those findings and recommendations are relevant and the minutes of the Committee shall be presented to the first meeting of those Boards following any meeting of the Committee.
- 5.9 Minutes of the meeting will separately record discussions and resolutions in respect of each Subsidiary.
- 5.10 Copies of the minutes, or extracts from the minutes, may be circulated to invited attendees at Committee meetings at the discretion of the Chair.
- 5.11 Minutes of the meetings of the Committee will be approved by the Committee at its next meeting.
- 5.12 The Committee will provide the Group Boards, through copies of minutes and other reports if required, details on the performance of its duties which are relevant to those Boards.

6. Performance review

- 6.1 The Committee will assess its own performance on an annual basis.
- 6.2 The Committee shall review and reassess these Terms of Reference annually and obtain the approval of the Group Boards for any changes.

April 2009

**Approved by HBF Board XXX 2009
(Approved by HBF Insurance XXXX 2009, HealthGuard XXXX 2009)**