Audit, Risk & Compliance Committee Charter

(incorporating Internal Audit Charter)

January 2019

Version 7.0

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1. Purpose

The Audit, Risk and Compliance Committee (Committee) is a committee of the Board of Directors (Board) of Illawarra Retirement Trust (IRT Group) pursuant to rule 19.10 of its Constitution.

This charter outlines the role and responsibilities of the Committee and governs its meetings and proceedings. Nothing in this charter limits any powers or responsibilities of the Board.

2. Role and Responsibilities

2.1 Role

The role of the Committee is to assist the Board to discharge its responsibilities in relation to audit, risk and compliance. It is an advisory role and does not relieve any directors of their responsibilities for these matters.

2.2 Responsibilities

The Committee's responsibilities are:

Risk Management:

(a) Review the risk appetite statement as determined by the Board

(b) Review the risk management framework, strategy and risk registers;

(c) Review risk management reports including timely implementation of remedial actions;

(d) Monitor strategic investment opportunities against the risk appetite framework;

(e) Make enquiries of management to determine whether there are scope or budget limitations that impede the execution of risk management responsibilities,

and provide recommendations to the Board as required

Compliance

(a) Review the compliance framework and strategy;

(b) Review compliance reports including timely implementation of remedial actions;

(c) Review the declaration from the Company Secretary on compliance with statutory responsibilities,

(d) Make enquiries of management to determine whether there are scope or budget limitations that impede the execution of compliance responsibilities,

and provide recommendations to the Board as required

Internal Controls:

(a) Review the internal controls framework (including the effectiveness of the strategic investments framework and delegations of authority);

(b) Make enquiries of management to determine whether it is operating effectively,

and provide recommendations to the Board as required.

External Audit and Financial Reporting:

(a) Provide recommendations to the Board for the appointment or removal of the External Auditor.

(b) Review the annual external audit plan, terms of engagement and fees;

(c) Review external audit reports including timely implementation of remedial actions;

(d) Monitor the performance and independence of the external auditors in compliance with the requirements of the Corporations Act and conduct an in camera session no less than annually;

(e) Review accounting policies, and review any proposed accounting policy changes prior to their approval by the Board;

(f) Review preparation of the annual financial reports;

(g) Review the annual financial reports, External Audit opinion and management letter prior to their approval or release;

(h) Coordinate special investigations into financial reporting on matters requested by the Board;

(i) Review solvency of IRT Group,

and provide recommendations to the Board as required.

Internal Audit:

(a) Review the Internal Audit Charter;

(b) Review the three year rolling and annual internal audit plan;

(c) Make enquiries of the Internal Auditor to determine whether there are scope or budget limitations that impede the execution of Internal Audit responsibilities;

(d) Review the scope for each planned internal audit and each Internal Audit Report;

(e) Monitor management's timely implementation of management actions arising out of Internal Audits;

(f) Monitor the performance and independence of the internal auditor and conduct an in camera session no less than annually;

(g) Review the level of cooperation between management, internal auditor and external auditor, and require where necessary an in camera session with any employee or consultant,

and provide recommendations to the Board as required.

Fraud and Corruption Control:

(a) Review fraud and corruption controls and measures to promote an ethical culture and provide recommendations to the Board as required.

Insurance:

(a) Review insurance arrangements and provide recommendations to the Board as required.

Business Continuity Planning:

(a) Review business continuity planning and provide recommendations to the Board as required.

Whistleblowing (Reporting of Serious Wrongdoing)

(a) Review the whistleblower policy and measures to promote the desired culture, and provide recommendations to the Board as required.

(b) Review reports provided on disclosures made under the whistleblower policy.

Critical Incidents

(a) Review the critical incident policy and measures to ensure adequate reporting, review and learnings are captured, and provide recommendations to the Board as required.

3. Committee Structure and Composition

Subject to any variation resolved by the Board, the Committee will comprise a minimum of four (4) Committee members including the Chair of the Board (ex-officio), all of whom will be independent directors of IRT.

The Chair of the Committee and each of the members will be appointed annually for a one year term in accordance with the Constitution, provided that the Chair of the Committee will not be the Chair of the Board.

In the event of any member of the Committee ceasing for any reason to be an IRT Director or general member, then his or her position as a member of the Committee ceases immediately.

It is acknowledged that a Committee member holds his or her position pursuant to appointment by IRT and must conform to any resolution of the Board.

The Board may, at its discretion, by notice in writing terminate the position of any Committee member and may appoint another in that member's place and a duly signed resolution by an authorised officer of the Company will be evidence thereof.

The number of Committee members may be added to or reduced at any time by resolution of the Board of IRT.

4. Conflict of Interest

All Committee members are required to act in accordance with the Board Charter and to disclose any existing or potential conflicts of interest in relation to matters considered by the Committee.

5. Relationship between the Board and the Committee

Pursuant to the Constitution the Board may delegate any of its powers in respect of specified matters to Committees by resolution. In the absence of such specific resolution the Committee will have no power other than to make recommendations to the Board.

A Committee to which powers have been delegated must exercise those powers in accordance with any directions of the Board.

In carrying out its work, the Committee will have access to appropriate resources, including advice of the Executive Leadership Team and, where necessary, independent advice.

The Group CEO, Executive General Manager – Finance & Risk, General Counsel & Group Head – Governance, Head of Quality and Systems Review, Company

Secretary, External and Internal Auditor a will have direct access to the Committee on an as needs basis.

With the approval of the Board, the Committee can co-opt external members from time-to-time to access additional skills, experience and networks.

The Committee has no power to exercise authority over staff, or delegate tasks to any staff, unless the Board and the Group CEO have specifically agreed to such delegations.

6. Meeting Procedures

6.1 Meetings

The provisions of the Constitution for regulating the meetings and proceedings of the Board will also govern the meetings and proceedings of the Committee unless they are not applicable.

The Committee will meet at least four (4) times per year, with regular communications via the Chair of the Committee at other times.

The need for additional meetings will be decided by the Chair of the Committee. Members may make requests to the Chair for additional meetings.

6.2 Meeting Preparation

The Chair of the Committee, working with the Company Secretary or delegate, will set the agenda for each meeting. Members may request the inclusion of specific items on Committee meeting agendas.

The agenda and supporting papers should be distributed to all members in sufficient time before each meeting to enable members to carefully review the papers and be fully prepared for the meeting.

Members are expected to make every reasonable effort to attend meetings of the Committee.

6.3 Minutes

Minutes of meetings of the Committee will be prepared by management, approved by the Chair in draft format, and circulated to all members of the Committee.

Minutes of Committee meetings will be confirmed at the next meeting of the Board and then signed by the Chair as approved.

6.4 Attendance at Meetings

In addition to Committee Members, other Board members may attend Committee meetings but only as non-voting observers.

The Group CEO, Executive General Manager – Finance & Risk, General Counsel & Group Head - Governance, Head of Quality and Systems Review, Company Secretary, and External Auditor will attend Committee meetings by standing invitation as non-voting advisers, but may be asked (collectively or

individually) by the Chair to absent themselves at any time for all or part of a meeting. Management attendees are not Members of the Committee.

The Committee may invite other persons to meetings as it deems appropriate having regard to management roles and responsibilities that relate to the role and responsibilities of the Committee.

6.5 Voting

In the case of an equality of votes, the Chair of the Committee will have a casting vote in addition to their deliberative vote.

6.6 Quorum

It is necessary to have three (3) members at Committee meetings to form a quorum.

7. Performance Evaluation

The Committee will review its performance annually by self-assessment or by appointing an independent professional expert to conduct the evaluation. Evaluation will be conducted as part of the overall Board performance evaluation.

The results of the performance evaluation will be provided to the Board.

8. Review of Charter

The Charter will be reviewed annually by the Committee, with any changes to be approved by the Board.

Endorsement and Approval

Endorsed by the Audit, Risk and Compliance Committee and signed by the Chair

Approved by the Board of Directors and signed by the Chair

Date: 15 March 2019

Appendix A – Internal Audit Charter

1. Purpose

IRT Group has established an independent Internal Audit function to provide continuous review of the effectiveness of risk management, control, and governance processes.

The purpose of Internal Audit is to support the Board of Directors, Audit, Risk and Compliance Committee, Group CEO and executive management by conducting activities to:

- Review achievement of organisation objectives.
- Make sure decisions are properly authorised.
- Assess reliability and integrity of information.
- Assess efficiency, effectiveness and economy of business operations.
- Safeguard assets.
- Assess compliance with laws, regulations, policies and contracts.
- Review opportunity for fraud and corruption.
- Follow-up previous audits.
- Recommend business improvement opportunities.

2. Authority

The Internal Audit function is established by authority of the Board of Directors and its responsibilities are defined in this Charter which is endorsed by the Audit, Risk and Compliance Committee.

The Internal Audit function is authorised full, free, and unrestricted access to all records, data, personnel, and assets at the time they are relevant for performance of internal audit engagements.

Internal Audit is authorised to have free and unrestricted access to the Chair of the Audit, Risk and Compliance Committee.

3. Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Source: 'The International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issues by the Institute of Internal Auditors.

4. Chief Audit Executive

The term Chief Audit Executive relates to the generic term used in the Internal Audit Standards to refer to the head of Internal Audit in an organisation.

5. Reporting Arrangements

Internal Audit staff and any service providers appointed to perform Internal Audit work report to the Chief Audit Executive, who reports:

- Functionally for operations to the Audit, Risk and Compliance Committee through the Chair; and

- Administratively to the Group CEO.

Where the person occupying the role of Chief Audit Executive may be responsible for non-audit activities, for example Risk Management or Compliance, there are independent safeguards in place:

- When responsible for non-audit activities, the Chief Audit Executive is not the Chief Audit Executive when managing or performing those activities; and
- Review or audit of non-audit activities must be managed and performed independently of the Chief Audit Executive and reported direct to the Audit, Risk and Compliance Committee.

6. Independence and Objectivity

IRT Group is committed to having a strong and independent Internal Audit function in place.

Internal Audit is required to be independent and objective, with independence essential to the effectiveness of the Internal Audit function.

Internal Audit has no direct authority or responsibility for the business activities it reviews. Internal Audit has no responsibility for the management of business activities, or for development or implementation of operational systems or procedures.

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest, actual or perceived.

Conflict of interest is a situation in which an Internal Auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the Internal Auditor, the Internal Audit function, and the profession. A conflict of interest can impair an individual's ability to perform duties and responsibilities objectively.

Each year at 30 June, Internal Audit must confirm in writing to the Committee that for the past year there has been:

- Organisation independence for Internal Audit.
- Conformance with the IRT Group Code of Conduct.
- Conformance with the Code of Ethics issued by The Institute of Internal Auditors.
- Conflicts of interest and, if so, details of these.

7. Nature and Scope of Work

The scope of Internal Audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in IRT Group to manage risks and promote effective and efficient governance and performance. The types of Internal Audit work at IRT Group are:

- Assurance Services – objective examination of evidence for the purpose of providing an independent assessment of risk management, control and governance processes. This includes focus on efficiency and effectiveness to improve processes and the economical use of finances and resources
- Consulting Services – advisory and related client activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve business operations.

8. Standards

Internal Audit will conform to the following mandatory requirements contained in the 'International Professional Practices Framework' (IPPF) issued by The Institute of Internal Auditors (IIA):

- The Definition of Internal Auditing.
- The Code of Ethics.
- The International Standards for the Professional Practice of Internal Auditing.

9. Responsibilities

Internal Audit has the following responsibilities:

Internal Audit Manual

- Developing and maintaining an Internal Audit Manual containing procedures and methodology for Internal Audit work.

Internal Audit Plan

- Developing an Assurance Map built around the IRT Group '3 Lines of Defence' that rates the effectiveness of the various assurance activities. This assists Internal Audit to better understand the overall assurance environment when developing the Internal Audit Plan and to formulate a plan that better targets areas where greater assurance may be required. It can also reduce duplication of assurance activities.
- Developing a risk-based 3–year Strategic Internal Audit Plan that considers risks and issues identified by the Board, Audit Risk and Compliance Committee and executive management, and submit that plan to the Committee for review and approval.
- From the 3–year Strategic Internal Audit Plan, implementing an Annual Internal Audit Plan for the period 1 July to 30 June each year.
- Ensuring no changes are made to the Annual Internal Audit Plan without prior approval of the Committee.

Internal Audit Engagements

- Conducting internal audit engagements contained in the approved Annual Internal Audit Plan and producing a report for each engagement containing recommendations for improvement.
- Ensuring responses and corrective action to be taken for recommendations are obtained from executive management and included in internal audit reports, including a timetable for completion of corrective action. Executive management has maximum of 15 working days from when they receive the draft report to provide their responses to Internal Audit.
- Where management responses to any recommendation is not considered adequate, Internal Audit will consult with Executive Management of the area audited and attempt to reach a mutually agreeable resolution. If agreement is not reached, Internal Audit will refer the matter to the Group CEO for resolution. If agreement is still not reached, the final arbiter will be the Committee.
- Providing final internal audit reports to the Executive General Manager of the area audited, the Committee and the Group CEO Chief Executive. Copies may be provided to the External Auditor if requested.

Implementation of Audit Recommendations

- Establishing a system to monitor progress by executive management to implement External Audit and Internal Audit recommendations.
- Ensuring executive management provides updates to Internal Audit every three months on progress to implement audit recommendations, with these updates due on 31 March, 30 June, 30 September, and 31 December.
- Following-up and obtaining evidence that audit recommendations are implemented by executive management before recommending closure to the Committee.

Quality Assurance and Improvement Program

- Developing and maintaining a Quality Assurance and Improvement Program focusing on continuous improvement of Internal Audit work.

10. Performance Measures

Internal Audit performance measures are contained in the Internal Audit Manual.

At 30 June each year Internal Audit will report against its performance measures to the Audit, Risk and Compliance Committee.

11. Review of Charter

The Charter will be reviewed each year at 30 June by the Chief Audit Executive, with any changes to be endorsed by the Audit, Risk and Compliance Committee and approved by the Board.