

AUDIT AND RISK COMMITTEE CHARTER

(Approved by the Board on 2 September 2022)

1. INTRODUCTION

The purpose of this Charter is to document the objectives, responsibilities, composition and administration of the Audit and Risk Committee (**ARC**) of the Australian Institute of Company Directors (**AICD**).

Defined terms in this Charter have the same meaning as in the AICD Constitution.

2. OBJECTIVES

The objectives of the ARC are to assist the board of directors of the AICD (**Board**) in discharging its responsibilities on matters relating to:

- (a) financial reporting;
- (b) engagement of external auditors and the conduct of external and internal audits;
- (c) risk management and internal controls;
- (d) corporate governance developments relevant to the ARC's responsibilities; and
- (e) matters that could significantly impact the financial condition or affairs of the AICD.

3. DUTIES AND RESPONSIBILITIES

- 3.1** The ARC considers any matters necessary in order to fulfil its objectives and makes recommendations to the Board. The ARC also examines any other matters referred to it by the Board.

As set out in this Charter, the Board has delegated authority to:

- (a) the ARC to approve:
 - (i) the internal audit plan;
 - (ii) AICD policies within the ARC's area of responsibility; and
- (b) the chair of the ARC (**ARC Chair**) to approve certain proposals for engagements for non-audit services in accordance with any auditor independence policy of the AICD.

3.2 Financial Information and Financial Reporting

The main duties and responsibilities of the ARC in relation to financial information are to:

- (a) Review financial information presented to the Board and provide recommendations to the Board on its findings, including regarding recommended changes to arrangements for the management of the AICD's investment portfolio and its financial instruments and arrangements;
- (b) Review the AICD's annual financial statements in draft before Board approval, focusing on and considering:
 - (i) the consistency in the application of accounting policies and practices, and the adherence to accounting standards and policies and other reporting requirements, including statutory requirements for financial reporting;
 - (ii) whether the financial statements provide a true and fair view of the financial position and performance of the AICD; and

AUDIT AND RISK COMMITTEE CHARTER

- (iii) the appropriateness of significant judgments made by Management in preparing the financial statements, including significant audit adjustments;
- (c) Consider the effects on the AICD of any new or proposed accounting policies and practices, principles, standards, developments, disclosure requirements and legislative or regulatory announcements; and
- (d) Review, and assess for completeness and appropriateness, all representation letters and attestations from Management, including CEO and CFO declarations.

3.3 External Auditors

The main duties and responsibilities of the ARC in relation to external auditors are to:

- (a) Recommend to the Board and oversee the selection, appointment, rotation and succession of audit and review partners or their equivalents and, if necessary, the removal of the external auditors;
- (b) Recommend to the Board the approval of the external auditor's proposed annual fees;
- (c) Review the audit plans of the external auditors and the scope and adequacy of the external audit;
- (d) Review and assess the performance and independence of the external auditors, including their compliance with the independence requirements of each of the *Corporations Act 2001* (Cth) and *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (to the extent required) and professional standards as updated from time to time;
- (e) Review and approve the AICD's audit partner rotation policy or auditor independence policy;
- (f) Maintain oversight of non-audit services performed by the external auditor in accordance with any auditor independence policy of the AICD, with the ARC Chair authorised to approve proposals for any such engagements for non-audit services which are likely to exceed \$50,000 and the Managing Director and Chief Executive Officer (**MD&CEO**) and Chief Financial Officer (**CFO**) authorised to jointly approve proposals for engagements which are not likely to exceed \$50,000; and
- (g) Review the external auditor's reports and assess the findings, recommendations and management's responses.

3.4 Risks, Policies and Controls

The main duties and responsibilities of the ARC in relation to risks, policies and controls are to:

- (a) Review the AICD's risk management strategy and Risk Management Framework (including the Risk Appetite Statement) at least annually to be satisfied that it continues to be sound and the AICD is operating within the risk appetite set by the Board;
- (b) Review the adequacy and currency of the AICD's risk management policies, and other policies as relevant;
- (c) Monitor the adequacy and effectiveness of the AICD's risk management processes and practices;
- (d) Make recommendations to the Board regarding the AICD's emerging and material risks, including mitigation of such risks;
- (e) Have responsibility for the oversight of the enterprise wide risks of the AICD, noting that the Technology, Innovation and Major Projects Committee (**TIPC**) has responsibility:

AUDIT AND RISK COMMITTEE CHARTER

- (i) to review and make recommendations to the ARC in relation to technology risks and risks associated with Major Projects (as defined in the TIPC Charter); and
 - (ii) through the chair of the TIPC, to ensure the ARC is kept informed of, and has sufficient information to have oversight of, risk matters arising in relation to technology and Major Projects;
- (f) Provide oversight of, and review the AICD's risk culture and behaviours;
- (g) Monitor the effectiveness of the AICD's internal control system;
- (h) Periodically review the Delegation of Authority Policy and recommend any changes necessary to the Board;
- (i) Monitor the application of AICD's administrative, operating and accounting policies through active engagement with Management and the external auditors;
- (j) Approve the annual internal audit plan, which may be adjusted at the request of the ARC or management to include special reviews or such other changes as deemed necessary, and review progress and results from the internal audit plan (including reports on significant findings and recommendations);
- (k) Review the effectiveness of the AICD's risk management processes for managing actual, suspected or alleged fraud or corruption affecting the AICD;
- (l) Periodically review and make recommendations regarding policies relating the AICD's investments and financial reserves, including its Reserves Policy and Investment Policy Statement;
- (m) Review and make recommendations to the Board regarding the AICD's investment strategy, including its investment risk and return profile, and monitor investment performance in relation to the investment strategy;
- (n) Review and approve the Fraud Policy, Procurement and Vendor Management Policy, Compliance Policy and other specified policies within the ARC's area of responsibility; and
- (o) Consider and review with Management any difficulties encountered during internal audit reviews and any instances of fraudulent activity identified during an internal audit.

3.5 Compliance with Legal and Regulatory Obligations

The ARC will:

- (a) Review at least annually, the AICD's Compliance Framework and provide recommendations to the Board;
- (b) Review the effectiveness of the Compliance Framework for identifying, monitoring and managing compliance with relevant obligations;
- (c) Consider the adequacy of processes for reporting and responding to legal and regulatory breaches and complaints, including monitoring the operation of the AICD's Speak Up Policy; and
- (d) Review reports under the compliance program.

3.6 Insurance

The ARC will review the AICD's insurance program, having regard to the AICD's business, risk appetite and risk profile.

AUDIT AND RISK COMMITTEE CHARTER

3.7 Incident Reporting and Regulatory Updates

The ARC will have oversight of, and receive and review regular reports from management on:

- (a) Significant compliance and operational incidents;
- (b) Complaints;
- (c) Work, Health and Safety (WHS) processes;
- (d) Legal and regulatory updates;
- (e) Litigation; and
- (f) Whistleblower matters.

4. COMPOSITION AND MEETINGS

4.1 Membership and Attendance at Meetings

- (a) The ARC comprises at least three (3) members, including:
 - (i) the ARC Chair, who is to be an independent non-executive director of the AICD but must not be the Chair of the Board; and
 - (ii) at least two (2) other non-executive directors of the AICD, and
 - (iii) any other parties nominated by the Board.
- (b) Members of the ARC and the ARC Chair will be appointed by the Board. The Board may remove and replace the ARC Chair or any ARC member at any time.
- (c) ARC members must be financially literate and the ARC Chair must have significant and relevant accounting experience.
- (d) A quorum of the ARC is any two (2) members of the ARC.
- (e) If the ARC Chair is unable to attend a meeting, the ARC Chair will appoint an alternate chair who will act as chair for the purposes of that ARC meeting.
- (f) The MD&CEO, CFO and Head of Risk and Compliance will be invited to each ARC meeting.
- (g) All directors can attend ARC meetings. Notice of ARC meetings will also be provided to the internal and external auditors. Other members of Management and advisors can also be invited to attend meetings by management or members of the ARC, with the agreement of the ARC Chair.
- (h) The secretary of the ARC is the Company Secretary, or another person nominated by the ARC Chair.

4.2 Meetings

- (a) Meetings of the ARC are held at least four (4) times per year. Special meetings can be convened as required to fulfil the ARC's responsibilities. The ARC may also meet at the request of the Board, any ARC member, the MD&CEO, CFO or the Company Secretary.
- (b) The ARC can meet with the internal or external auditors (with or without Management present) as it considers necessary or at the request of the internal or external auditors.
- (c) Meetings may be held in person, by telephone or by video conference, or by any combination of these media.

AUDIT AND RISK COMMITTEE CHARTER

- (d) Members will receive relevant ARC papers at a reasonable time before each meeting, with an aim of receiving ARC papers at least one week prior to the relevant meeting.
- (e) ARC members must disclose all matters that could, or do, give rise to a conflict of interest in relation to a matter or decision being considered by the ARC.
- (f) The secretary, or other person nominated by the ARC Chair, takes minutes of the proceedings of all meetings of the ARC. The minutes are provided to the ARC Chair for review as soon as practicable after the meeting and then circulated to the ARC members for approval.
- (g) The ARC may pass a resolution without a meeting of the ARC if at least 75% of the members of the ARC entitled to vote on the resolution assent to a document containing a statement that they are in favour of the resolution set out in the document.

4.3 Authority

- (a) The Board has absolute authority over the ARC's findings and recommendations.
- (b) The Board delegates authority to the ARC, within the scope of its responsibilities set out in this Charter, to:
 - (i) Obtain any information it requires from any employee or external party, including interviewing Management and internal and external auditors (with or without Management present);
 - (ii) Obtain outside legal or other independent professional advice; and
 - (iii) Facilitate the attendance at ARC meetings of external parties with relevant experience and expertise.

4.4 Sub-delegation

The ARC may, at its discretion, delegate some or all of its responsibilities to the ARC Chair or to a sub-committee of the ARC.

4.5 Board Reporting

The ARC Chair reports to the Board after each meeting of the ARC. The report must cover the findings and recommendations of the ARC and must cover any matters raised by the external auditor. The papers and minutes of all ARC meetings are to be made available to the Board.

4.6 Review of Charter, Committee Composition and Committee Performance

- (a) At least annually, the ARC will:
 - (i) review this Charter and recommend any proposed changes to the Board; and
 - (ii) conduct a self-evaluation to assess its performance against the ARC's responsibilities contained in this Charter.
- (b) The Board will at least annually review the composition of the ARC and the performance of the ARC, with feedback provided to the ARC Chair.