



FIDUCIAN
INTEGRITY, TRUST, EXPERTISE

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Fiducian Group Limited

Audit, Risk and Compliance Committee Charter

17 August 2017

Control Sheet

Policy	FGL – Audit, Risk & Compliance Committee Charter	
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Entity	Fiducian Group Limited	
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Date of Modification	Brief Description of Modification	Approved By
September 2015	Development of New Charter	Board (circular) 16 September 2015
August 2016	Amendment of Charter	Board 15 August 2016
August 2017	Minor amendment of Charter	Board 17 August 2017

1. Role and Responsibilities

1.1 Purpose

- 1.1.1 This Charter sets out the broad principles of corporate governance as they apply to the Audit, Risk & Compliance Committee's (**ARCC**) role to oversee the audit, risk management and compliance responsibilities of Fiducian Group Limited (**Company**) and its subsidiary companies from time to time, currently being Fiducian Portfolio Services Ltd, Fiducian Investment Management Services Ltd (**FIMS**), Fiducian Services Pty Ltd, Fiducian Financial Services Pty Ltd and Fiducian Business Services Pty Ltd (together known as the **Group**).
- 1.1.2 To the extent any of the entities within the Group have their own separate audit, risk and compliance committee, the charter pertaining to that separate audit, risk and compliance committee shall prevail over the principles set out in this Charter in relation to that particular entity.

1.2 Role

- 1.2.1 The fundamental roles of the ARCC are:
- a. consider all matters relevant to the Group's audit, risk management and compliance responsibilities and make recommendations to the Board of Directors (**Board**);
 - b. provide assurance to the Board that appropriate policies and procedures are in place and have been implemented to assist the Group to meet its audit, risk management and compliance responsibilities;
 - c. monitor and report to the Board on the Group's level of compliance by its subsidiary companies in relation to their obligations under their Australian Financial Services (**AFS**) Licence;
 - d. provide assurance to the Board that the statutory and financial duties of the Group are being carried out with the required care, diligence and skill; and
 - e. provide assurance to the Board that incidents are being reported and actioned appropriately.

1.3 Responsibilities Overview

- 1.3.1 The responsibilities of the ARCC apply to all aspects of the Group unless a responsibility is specifically noted to only apply to one or more particular aspects of the Group either in this Charter or any other document.
- 1.3.2 The responsibilities of the ARCC have been broken down into:
- a. audit and financial management responsibilities; and
 - b. risk management and compliance responsibilities.

1.4 Specific Responsibilities

Audit and Financial Management

- 1.4.1 Oversee compliance with the Group's financial management obligations, in particular:
- a. act as a formal channel of communication between the Board, the External Auditor and the Accountants;
 - b. ensure that the stated policies of the Group in relation to statutory, financial, tactical and accounting matters, internal financial controls, and discharge of 'trading company' fiduciary obligations, are carried out;

- c. ensure that reliable and adequate management reporting and financial reporting are available for senior executives of the Group (**Management**) and the Board, including quantity, quality and timing, to ensure that financial risk is effectively managed;
- d. ensure that proper systems of management control are in place to effectively identify, mitigate, manage and report on financial risks; and
- e. review internal procedures for monitoring related party transactions and assessing their propriety.

1.4.2 Oversee compliance with the Group's financial statement obligations, in particular:

- a. ensure that relevant accounting standards and techniques are both applied and appropriate. Monitor changes in these standards and/or their application as appropriate;
- b. be satisfied that all regulatory compliance matters have been considered in the preparation of financial statements and other financial reporting documents;
- c. review the issue or lodgment of all public accounting documents for timing and for sign off by all appropriate personnel;
- d. review all public accounting financial statements and determine whether they are compliant, understandable and consistent;
- e. oversee the preparation of the financial statements of each entity within the Group; and
- f. make a recommendation to the Board as to whether or not the Directors should:
 - sign the financial statements that are required to be lodged with the Australian Securities Exchange (**ASX**) and with the Australian Securities and Investments Commission (**ASIC**);
 - sign the Directors' Declaration; and
 - sign or otherwise approve documents or statements of a similar nature.

1.4.3 Oversee compliance with the Group's audit obligations, in particular:

- a. appoint the External Auditor at least annually, no later than the last day of the financial year to which the appointment relates (30 June), including confirmation of the External Auditor's adequacy¹ and independence² and approval of fees to be charged;
- b. regularly review the scope of the audit plans proposed by the External Auditor, ensuring that the plans cover the material risks and financial reporting requirements of the Group, can be relied upon to detect weaknesses in internal controls, fraud and other illegal acts, and otherwise remains appropriate to the business operations of the Group.
- c. review the final draft of the annual and interim financial statements and the audit reports to ensure that the statements and reports have been prepared in accordance with the relevant Australian Accounting Standards prior to their submission to the Board for approval; and
- d. review the content of all audit reports and monitor the actions of Management to ensure that identified issues are being managed and rectified in an appropriate and timely manner.

Compliance

1.4.4 Oversee compliance with the Group's compliance obligations, in particular:

¹ Fit and Proper Criteria applies to any External Auditor appointed by the Group who will audit the Group (which may include the Trustee of the Fiducian Super Funds). See **APRA Prudential Standard 520 – Fit and Proper**.

² Any External Auditor appointed by the Group who will audit the Group (which may include the Trustee of the Fiducian Super Funds) must meet the Audit Independence Tests set out in **APES 110 – Code of Ethics for Professional Accountants**, as well as the additional auditor independence requirements set out in **APRA Prudential Standard SPS 510 – Governance (Paragraphs 56-65)**.

- a. receive and consider minutes from each meeting of the Incident Review Team (**IRT**) (if operational) where all incidents and breaches relevant to the Group's compliance with applicable legislative and regulatory requirements are considered in detail³;
- b. the lodgment of the Group's statutory reporting obligations;
- c. ensure that it properly performs its duty as the compliance committee of the Fiducian Funds and that the compliance obligations in the Compliance Plans are carried out;
- d. ensure that it has implemented and monitors internal controls which are appropriate to ensure compliance with its IDPS obligations;
- e. ensure that it has documented measures which are appropriate to ensure compliance with its MDA service obligations;
- f. the maintenance of all relevant policies and procedures including reviewing their adequacy and making recommendations to the Board about amendments as considered necessary;
- g. the findings of any examinations by regulatory agencies and the timeliness and accuracy of reporting to regulators;
- h. ensure that General Counsel produces a report to the ARCC at least quarterly; and
- i. the timeliness and accuracy of reporting to unitholders of the Fiducian Funds.

1.4.5 Obtain regular updates from Management and the Group's legal counsel about regulatory and compliance matters.

Risk Management

1.4.6 Oversee compliance with the Group's risk management obligations, in particular:

- a. ensure that the Risk Management Framework, which incorporates a Risk Management Strategy, Risk Appetite Statement and Risk Register, are in place;
- b. ensure that any changes to the risk management framework have been advised to APRA (as appropriate);
- c. review selected material risks at each meeting of the ARCC;
- d. ensure that each Responsible Manager has responded to their allocated tasks within the Tickit system;
- e. ensure that each Responsible Manager has confirmed in Tickit that no new risks have arisen in their area of responsibility or, if a new risk has arisen, that appropriate controls have been implemented to manage the risk;
- f. ensure that the Chief Risk Officer produces a risk report to the ARCC at least quarterly.

Anti-Money Laundering and Counter-Terrorism Financing

1.4.7 Oversee compliance with the Group's anti-money laundering and counter-terrorism financing obligations, and in particular seek assurance that:

- a. investors within the Fiducian Investment Service have been identified in accordance with FIMS's AML/CTF Program and that sample checking has been undertaken; and
- b. ongoing transaction monitoring is being undertaken to determine if any transactions are suspicious transactions.

³ See the **Charter for the Risk & Compliance Group**.

Material Service Providers

1.4.8 Ensure that all material service providers appointed by the Group are appointed and monitored appropriately and in a timely manner by Group Management.

Training

1.4.9 Oversee the training program in place for administrative staff and Responsible Managers to ensure that it is relevant to their duties.

Review of the ARCC and the Charter

1.4.10 Review the performance of the ARCC annually and report to the Board, having regard to:

- a. the fulfilment of the responsibilities as outlined in the Charter;
- b. the comments of the External Auditor;
- c. any relevant comments made by the regulators as contained in any reports issued by them or in any review conducted by them; and
- d. the results of any survey or performance evaluation conducted by the Board or by an external entity engaged by the Board for such a purpose.

1.4.11 Report annually to the shareholders, describing the ARCC's composition, how its responsibilities were discharged and any other information required by regulation.

1.4.12 Review the ARCC Charter every three (3) years, make recommendations to the Board regarding proposed changes and implement changes upon Board approval.

Miscellaneous

1.4.13 Ensure that there are policies and procedures in place for employees of the Group to submit, confidentially, information about the Group's accounting, internal controls, compliance, audit and other matters about which the employee has concerns. Establish a process for ensuring employees are aware of these policies and procedures and deal with any matters raised by employees in accordance with these policies and procedures.

1.4.14 Consider any other matters relevant to the Group's compliance, governance, risk management, financial management and audit responsibilities.

1.4.15 Regularly update the Board about the ARCC's activities, provide appropriate recommendations and advice to ensure the Board is aware of known matters which might significantly impact the financial condition or affairs of the business of which otherwise may facilitate the decision making process of the Board.

1.4.16 Assist the Board with any deliberations or issues as requested, and carry out other functions as may be delegated by the Board from time to time.

1.5 Interaction with the Regulators

1.5.1 Members of the ARCC must make themselves available to meet with APRA, ASIC, AUSTRAC, ASX, ATO, the Privacy Commissioner or any other relevant governmental body or authority on request.

2. Access and Delegated Authority

2.1 Access

2.1.1 The members of the ARCC have, at all times, free and unfettered access to Group Management and the External Auditor.

2.1.2 The Group's Management and the External Auditor have free and unfettered access to the ARCC through the Chairperson of the ARCC.

2.2 Delegated Authority

2.2.1 The ARCC is delegated with the general authority to seek further information, including any external advice or assistance it requires, in order to make any decisions it considers necessary to manage its affairs and fulfil its responsibilities, and to do so in a manner that ensures that the engagement, including any advice received, is independent.

2.2.2 This general authority includes the authority:

- a. to retain independent counsel, accountants or others to advise the ARCC or to assist in the conduct of an investigation, once the estimated costs have been approved by the Board;
- b. to seek any information it requires from employees of the Group;
- c. to require the attendance of members of the Group's Management to attend meetings of the ARCC; and
- d. to meet with members of the Group's Management, the External Auditor and/or outside advisers as necessary.

2.2.3 The ARCC is delegated with specific authority to appoint the External Auditor.

2.2.4 The ARCC does not have executive powers or authority to implement actions in areas over which Management has responsibility, nor any delegated financial responsibility or management functions.

3. Accountability and Reporting Obligations

3.1 Accountability

3.1.1 The ARCC is accountable to, and reports directly to, the Board.

3.1.2 Individual ARCC members are accountable to the Chairperson of the ARCC to:

- a. declare any actual or potential conflicts of relevant interests and/or conflicts of relevant duties and ensure that they do not become a disqualified person (or otherwise make an immediate disclosure to the Board if they do become a disqualified person);
- b. allocate sufficient time to ensure the discharge of duties and responsibilities with an appropriate level of care and diligence;
- c. attend and participate in ARCC meetings and bring a robust exchange of views and independent judgments to bear on the issues and decisions at hand; and

- d. stay abreast of broad issues affecting the financial services industry, with particular reference to superannuation and funds management.

3.1.3 Individual ARCC members must:

- a. act openly, honestly and with integrity in all circumstances;
- b. exercise the care, skill and diligence;
- c. give priority to the duties to, and interests of, stakeholders; and
- d. not to improperly use their position or information gained by virtue of their position to gain an advantage for themselves or someone else or cause detriment to another.

3.1.4 The ARCC may not delegate its authority to another person other than set out in this Charter.

3.2 Reporting Obligations

Reporting to the ARCC

3.2.1 The ARCC is to receive and consider:

- a. minutes from each meeting of the IRT;
- b. communications to and from the External Auditor;
- c. the draft interim and annual financial statements and auditors' reports for the Company;
- d. communications to and from the relevant regulators;
- e. ad hoc reports relating to audit, compliance and risk management matters as required;
- f. quarterly reports from General Counsel;
- g. quarterly risk reports from the Chief Risk Officer.

Reporting by the ARCC

3.2.2 The ARCC shall report to the Board on a quarterly basis.

3.2.3 Prior to each meeting of the Board, the ARCC will circulate a copy of the minutes of any ARCC meetings held since the last meeting of the Board, together with any circular resolutions which have been approved by the ARCC.

3.2.4 The ARCC shall report to the Board at each Board meeting on any matters it decides should be brought to the attention of the Board for its information or consideration, and will provide specific reports and recommendations on issues raised by the Board as appropriate.

4. Composition and Meetings

4.1 Composition

4.1.1 The Board shall determine the membership of the ARCC from time to time subject to the following:

- a. the ARCC must have at least three members; and
- b. all members of the ARCC must be non-executive directors of the Group.

4.1.2 A person may not be appointed to the ARCC unless he or she consents to the appointment either before or at the time of the appointment.

- 4.1.3 Directors will remain as members of the ARCC for a term of three years unless they resign from the ARCC, cease to be Directors, or are removed by the Board. The Board must fill any vacancy arising on the ARCC within 90 days.
- 4.1.4 Directors appointed to the ARCC need to be financially literate and collectively have significant experience in financial and business matters. The ARCC must immediately report to the Board if it forms the view that a member of the ARCC, or a proposed member, does not, in the context of the ARCC, have skills appropriate to fulfil their responsibilities as an ARCC member.
- 4.1.5 The Board will annually review the status of the ARCC's members and make such reappointments, additional appointments or replacements as deemed necessary.

4.2 Alternates

- 4.2.1 An ARCC member may appoint an alternate to exercise some or all of the ARCC member's powers for a specified period.⁴

4.3 Quorum

- 4.3.1 A quorum will be constituted by two ARCC members being present for the whole meeting and with a capacity to vote.⁵

4.4 Chairperson

- 4.4.1 The ARCC will elect a Chairperson from their own number.
- 4.4.2 The Chairperson of the Board may be the Chairperson of the ARCC.

4.5 ARCC Meetings

- 4.5.1 The ARCC is expected to meet at least quarterly. However, the ARCC may also, at the request of the Board, the request of one or more members of the ARCC or the request of the External Auditor, meet at other times to discuss audit, financial, risk or compliance related issues.
- 4.5.2 The Chairperson must call a meeting of the ARCC if requested to do so by any member of the ARCC.

Attendees

- 4.5.3 The ARCC may request certain individuals, from time to time, to attend ARCC meetings in order to provide expert advice or act as an observer, provided that there are no issues relating to independence and/or conflicts of interest.
- 4.5.4 Any Director of the Board may attend meetings of the ARCC as an observer.
- 4.5.5 The External Auditor have the right to attend all meetings of the ARCC. Proper notice of all members will be provided to the External Auditor, and they shall be entitled to make such presentations to the ARCC as they deem appropriate.

Meeting Method

- 4.5.6 The meetings of the ARCC may be held face to face or held by telephone, facsimile, electronic mail or by using any other technology consented to by all the ARCC members. The consent may be a standing one.⁶

⁴ See the **Constitution of Fiducian Group Limited (Clause 8.15)**.

⁵ See the **Constitution of Fiducian Group Limited (Clause 8.11)**.

⁶ See s 248D of the *Corporations Act 2001* (Cth).

4.5.7 The ARCC may deal with particular issues by circular resolution if desired, so long as all the ARCC members present in Australia entitled to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document.⁷

4.6 ARCC Agenda, Papers and Minutes

4.6.1 An agenda will be prepared by the Chairperson of the ARCC. The agenda and supporting papers for each meeting will be distributed to ARCC members and other attendees in sufficient time to enable attendees to read the material and prepare for the meeting.

4.6.2 The Chairperson of the ARCC will arrange to have formal and accurate minutes of all ARCC meetings prepared. The minutes of the previous ARCC meeting should be approved by the ARCC at the following meeting.

4.6.3 The Chairperson of the ARCC must ensure that minutes are produced within 1 month of an ARCC meeting being held for approval at the next ARCC meeting, and that such minutes are an accurate and complete record of the proceedings and resolutions of the ARCC.

4.6.4 Copies of the minutes of all ARCC meetings will be provided to all Directors. The Chairperson of the ARCC may choose to make the minutes, or parts of the minutes, available to certain employees of the Group at his/her discretion.

4.7 ARCC Voting

4.7.1 A resolution of the ARCC must be passed by a majority of the votes cast by ARCC members entitled to vote on the resolution.

4.7.2 Each member of the ARCC present at a meeting of the ARCC has one vote.

4.7.3 In the case of an equality of votes, the Chairperson of the ARCC shall have a casting vote.

⁷ See the **Constitution of Fiducian Group Limited (Clause 8.14)**.