

AUDIT, FINANCE & INVESTMENT COMMITTEE CHARTER

(Approved by the Board on 9 August 2018)

1. INTRODUCTION

The purpose of this Charter is to document the objectives, responsibilities, composition and administration of the Audit, Finance & Investment Committee (**Committee**) of the Board 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 Committee are to assist the 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) internal controls;
- (d) the AICD's banking arrangements and investments;
- (e) corporate governance developments relevant to the Committee's responsibilities; and
- (f) matters that could significantly impact the financial condition or affairs of the AICD.

3. DUTIES AND RESPONSIBILITIES

3.1 The Committee reviews and examines any matters that it considers necessary in order to fulfil its objectives and makes recommendations to the Board. The Committee also examines any other matters referred to it by the Board and will escalate any known or emerging risks and compliance matters to the Risk & Compliance Committee.

3.2 Financial Information

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

- (a) Review financial information presented to the Board and provide recommendations to the Board on its findings.
- (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;
 - (ii) Compliance with statutory requirements for financial reporting; and
 - (iii) 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, developments, disclosures requirements and legislative or regulatory announcements;

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- (d) Review all representation letters signed by Management, including CEO and CFO declarations, and assess for completeness and appropriateness; and
- (e) Resolve any difficulties or disputes between the external auditor and Management.

3.3 Banking and Investments

The main duties and responsibilities of the Committee in relation to banking and investments are to:

- (a) Annually review financial and banking instruments and arrangements;
- (b) Develop and recommend to the Board the investment strategy, including the AICD's investment risk and return profile and strategic asset allocation;
- (c) Adopt, periodically review and revise the Reserves Policy, Investment Policy Statement and any other policy related to banking and credit instruments;
- (d) Oversee the implementation of the investment strategy approved by the Board;
- (e) Monitor and report investment performance to the Board in relation to the investment strategy;
- (f) Recommend to the Board and engage the Risk & Compliance Committee when required, appropriate risk monitoring, risk triggers and courses of action in relation to the AICD's investments;
- (g) Make recommendations to the Board for the appointment and termination of external investment managers and consultants in respect of the investment portfolio;
- (h) Monitor and report to the Board in relation to the performance of the external investment manager;
- (i) Where applicable, monitor valuation recommendations in relation to the portfolio; and
- (j) Undertake any other work requested by the Board from time to time in connection with the AICD investment activities.

3.4 External Auditors

The main duties and responsibilities of the Committee 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) Approve the payment of the external auditor's annual fees;
- (c) Recommend to the Board the audit plans of the external auditors;
- (d) Review and assess the performance, independence and objectivity of the external auditors;

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- (e) Confirm that no Management restrictions are being placed on the external auditors;
- (f) Monitor the independence of the external auditors and their compliance with the requirements of each of *The Corporations Act 2001* (Cth) and *The Australian Charities and Not-for-profits Commission Act 2012* (Cth) (to the extent required) and professional standards as updated from time to time;
- (g) Approve any proposal to engage AICD's external auditors for non-audit services where the fees for any engagement are likely to exceed \$50,000, with the Committee Chair solely approving proposals for any such engagements which are not likely to exceed \$50,000; and
- (h) Confirm that the annual report provides appropriate disclosure of the total fees paid to external auditors, including fees for non-audit activities.

3.5 Policies and Controls

The main duties and responsibilities of the Committee in relation to policies and controls are to:

- (a) Review the adequacy of the external auditor's written reports;
- (b) Monitor accounting control systems by monitoring Management's responses and actions to correct any reported deficiencies;
- (c) Periodically review the Delegation of Authority Policy and recommend any changes necessary to the Board;
- (d) Monitor the application of AICD's administrative, operating and accounting policies through active engagement with Management and the external auditors;
- (e) Approve the internal audit plan and provide oversight of progress and results from the internal audit plan; and
- (f) Consider and review with Management any difficulties encountered in the course of internal audit reviews and any instances of significant internal and external fraudulent activity identified during an internal audit and responses thereto.

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4. COMPOSITION AND MEETINGS

4.1 Membership and Attendance at Meetings

- (a) The Committee comprises at least three (3) members (all of whom are non-executive Directors and a majority of whom are independent Directors) including:
 - (i) The Chair of the Committee (**Committee Chair**) who is to be an independent member of the Board, appointed by the Board but must not be the Chair of the Board; and
 - (ii) At least two (2) other members of the Board as appointed by the Board, and any other parties nominated by the Board.
- (b) Committee members must be financially literate and the Committee Chair must have significant and relevant accounting experience.
- (c) A quorum of the Committee is any two (2) members of the Committee.
- (d) The Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) of the AICD will be invited to each Committee meeting.
- (e) All Directors can attend Committee meetings. Notice of Committee meetings will also be provided to the internal and external auditors. Other members of Management and advisors can also be invited to attend meetings as the Committee Chair thinks fit.
- (f) The secretary of the Committee is the Company Secretary, or another person nominated by the Committee Chair.

4.2 Meetings

- (a) Meetings of the Committee are held at least four (4) times per year; Special meetings can be convened as required to fulfil the Committee's responsibilities. The Committee also meets at the request of the Board, any Committee member, any other non-Committee Board member, the CEO, CFO or the Company Secretary.
- (b) The Committee can meet with the external auditors as it considers necessary or at the request of the auditors. The external auditor can request a meeting of the Committee if they consider it necessary.
- (c) Meetings can be held in person, by telephone or by video conference, or by any combination of these media.
- (d) The secretary, or other person nominated by the Committee Chair, takes minutes of the proceedings of all meetings of the Committee.

4.3 Authority

- (a) The Board has absolute authority over the Committee's findings and recommendations.

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- (b) The Board delegates authority to the Committee, within the scope of its responsibilities, 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 Committee meetings of external parties with relevant experience and expertise.

4.4 Consultation

The Committee Chair will liaise and consult with the chair of the Risk and Compliance Committee quarterly or more frequently as deemed necessary to fulfil the objectives of the Committee.

4.5 Sub-delegation

The Committee can, at its discretion, delegate some or all of its objectives and responsibilities to the Committee Chair and can delegate any of its objectives and responsibilities to a sub-committee of the Committee.

4.6 Board Reporting

The Committee Chair reports to the Board after each meeting of the Committee. The report must cover the findings and recommendations of the Committee and must cover any matters raised by the external auditor. The minutes of all Committee meetings must be circulated to the Board.

4.7 Review of Charter, Committee Composition and Committee Performance

- (a) The Committee will at least annually review its composition and Charter and recommend any changes to the Board.
- (b) The Board, will at least annually review the composition of the Committee and the Committee Charter.
- (c) The Committee will at least annually review its performance as a Committee.