



Audit, Risk and Compliance Committee Charter

(incorporating Internal Audit Charter)

October 2023

Version 6.6

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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) under 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 duties of the Board.

2. Role and Responsibilities

2.1 Role

The role of the Committee is to assist the Board in discharging its responsibilities as outlined below. 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 annually or as determined by the Board and have oversight of its implementation
- (b) Review the risk management framework, strategy and risk registers and have oversight of their implementation;
- (c) Review risk management reports/ plans for material risks, including an assessment against risk appetite and monitoring the timely implementation of remedial actions;
- (d) Make enquiries to management to determine whether there are scope or budget limitations that impede the execution of risk management responsibilities,
- (e) Promote a positive risk culture;
and provide recommendations to the Board as required

Compliance

- (a) Review the compliance framework and strategy and have oversight of its implementation;
- (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 to 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 to management to determine whether it is operating effectively,
and provide recommendations to the Board as required.

External Reporting:

- (a) Review external reporting (including management processes supporting external reporting) to determine whether it is consistent with legal obligations and adequate for the needs of IRT Group members 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) Oversee accounting policies, and review any proposed accounting policy changes before their approval by the Board;
- (f) Oversee preparation of the annual financial reports;
- (g) Review the annual financial reports, External Audit opinion and management letter before their approval or release;
- (h) Coordinate special investigations into financial reporting on matters requested by the Board;
- (i) Oversee the solvency of IRT Group,
and provide recommendations to the Board as required.

Internal Audit:

- (a) Review the Internal Audit Charter;
- (b) Review the 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 needed.

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 capture adequate reporting, review and learnings, and provide recommendations to the Board as required.

IT and Data Governance

- (a) Oversee and review the adequacy of the organisation's digital governance strategy and consider appropriate risks and mitigations to ensure data security.
- (b) Review annually the digital governance strategy.

- (c) Review annually the cyber security framework and plan in addition to receiving and reviewing DRP Testing, Site Penetration Testing and Email Phishing Testing reports.
- (d) Monitor the effectiveness of and the risks related to Information Technology such as IT systems; data integrity and protection; cybersecurity; digital acceleration; disaster recovery capabilities and business continuity plans; or such other Information Technology matters
- (e) Consider opportunities to enable technology to assist the business while maintaining data integrity and security.
- (f) Receive reports on technology, data and cyber-related matters related to significant operational incidents.

3. **Committee Structure and Composition**

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

The Chair of the Committee and each member will be appointed annually for a one-year term following the Constitution, provided that the Chair of the Committee will not be the Chair of the Board.

If any member of the Committee ceases for any reason to be an IRT Director or general member, then their position as a member of the Committee ceases immediately.

It is acknowledged that a Committee member holds their position under 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. 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.

If required, the Committee may stand up an **advisory sub-committee** to undertake a specific piece of work and review it on behalf of the Committee. The sub-committee will report directly to the Committee and have no powers to make decisions. Sub-Committee members may include internal subject matter experts to assist the Committee in considerations.

Any meetings of an advisory sub-committee are to be formally reported to the Committee through a written report.

4. **Conflict of Interest**

All Committee members must act per the Board Charter and disclose any existing or potential conflicts of interest concerning matters the Committee considers.

Conflicts of interest occur:

- (a) When a member, or their immediate family or business interests, stands to gain financially from any activity of the Committee;
- (b) When a member or their immediate family or business interests have a personal relationship with a person or director of an entity that stands to gain financially from any activity of the Committee;
- (c) When a member offers a professional service to IRT Group;
- (d) When a member stands to gain personally or professionally from any insider knowledge if that knowledge is used for personal or professional advantage.

Accordingly:

- (e) Any business or personal matter which could lead to a conflict of interest of a material nature involving a Committee member and their role and relationship with IRT Group must be declared and registered in the Board's Register of Interest.
- (f) All such entries will be presented to the Board and minuted at the first Board meeting following entry in the Register of Interest.
- (g) Any potential conflict of interest must be declared by the member concerned immediately after it is identified.
- (h) The Board will determine whether or not the conflict is material or of material significance to IRT Group and advise the member accordingly.
- (i) Where a conflict of interest is identified and registered, and the Board has declared that it is of material benefit to the individual or material significance to IRT Group, the member will not remain in the meeting during any related discussion or vote.
- (j) The Board will determine what records and other documentation relating to the matter will be available to the member.
- (k) All such occurrences will be minuted.
- (l) Individual members, aware of an actual or potential conflict of interest with another member, have a responsibility to bring this to the notice of the Board.

5. Relationship between the Board and the Committee

Under the Constitution, the Board may delegate any powers concerning specified matters to Committees by resolution. Without such a specific resolution, the Committee can only make recommendations to the Board.

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

In carrying out its work, the Committee will have access to appropriate resources, including advice from the Group CEO and Executive General Managers and, where necessary, independent advice.

IRT Group Chief Executive Officer (Group CEO), Executive General Manager – Finance, Executive General Manager – Infrastructure & Technology, and External and Internal Auditor will have direct access to the Committee as needed.

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

The Committee can exercise authority over staff or delegate tasks to any staff if the Board and the IRT Group CEO have agreed explicitly 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 three (3) times per year, with regular communications via the Chair of the Committee at other times.

The Chair of the Committee will decide the need for additional meetings. 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 documents 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 Committee meetings 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 Board's next meeting 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 IRT Group CEO, Company Secretary, Executive General Manager – Finance, Executive General Manager – Infrastructure & Technology, Internal Audit 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 regarding 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.

To ensure a quorum, should a Committee member be unable to attend, the Board Chair is advised to appoint another independent director to the Committee for that meeting. The Company Secretary will record this substitute member in the minutes.

7. Performance Evaluation

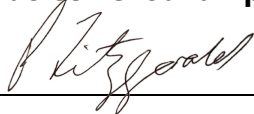
The Committee will review its performance annually by self-assessment or appointing an independent professional expert to evaluate it.

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

8. Review of Charter

The Committee will review the Charter annually, 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: 26 October 2023

Appendix A – Internal Audit Charter

1. Purpose

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

The purpose of an 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 appropriately authorised.
- Assess the reliability and integrity of information.
- Assess efficiency, effectiveness and economy of business operations.
- Safeguard assets.
- Assess compliance with laws, regulations, policies and contracts.
- Review opportunities for fraud and corruption.
- Follow up on previous audits.
- Recommend business improvement opportunities.

2. Authority

3. The authority of the Board of Directors establishes the Internal Audit function. Its responsibilities are defined in this Charter and endorsed by the Audit, Risk and Compliance Committee.

The Internal Audit function is authorised to have full, accessible, and unrestricted access to all records, data, personnel, and assets when relevant for internal audit engagements.

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

4. 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' issued by the Institute of Internal Auditors.

5. Chief Audit Executive

Chief Audit Executive refers to the generic term used in the Internal Audit Standards to refer to an organisation's head of Internal Audit.

6. Reporting Arrangements

Internal Audit staff and any service providers appointed to perform Internal Audits 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 IRT 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 directly to the Audit, Risk and Compliance Committee.

7. Independence and Objectivity

IRT Group is committed to a robust and independent Internal Audit function.

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 is not responsible for managing business activities or developing or implementing 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 challenging to fulfil 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 on 30 June, Internal Audit must confirm in writing to the Committee that for the past year, there have 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.

8. Nature and Scope of Work

The scope of Internal Audit work embraces the broader 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 – objectively examine evidence to assess risk management, control and governance processes independently. This includes a 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 intended to add value and improve business operations.

9. 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.

10. 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 in better understanding the overall assurance environment when developing the Internal Audit Plan and formulating a plan that better targets areas where greater assurance may be required. It can also reduce duplication of assurance activities.
- Develop 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 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 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. Organisational management has a maximum of 15 working days from receiving the draft report to provide their responses to Internal Audit.

- Where management responses to any recommendation are not considered adequate, Internal Audit will consult with Executive Management of the area audited and attempt to reach a mutually agreeable resolution. Internal Audit will refer the matter to the Group CEO for resolution if an agreement is not reached. The final arbiter will be the Committee if an agreement is not reached.
- Providing final internal audit reports to the Executive Leadership Team member of the area audited, the Committee and the IRT Group CEO. 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 updates Internal Audit every three months on the 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.

11. Performance Measures

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

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

12. Review of Charter

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