

## **AHRI LTD FINANCE, AUDIT AND RISK MANAGEMENT (FARM) COMMITTEE CHARTER**

This Charter describes the objectives, authority, composition, meetings, duties and responsibilities and reporting requirements of the Finance, Audit and Risk Management (FARM) Committee established by the Board of Australian Human Resources Institute (AHRI) Ltd.

### **Objectives**

The primary objective of the Finance Audit and Risk Management (FARM) Committee is to assist AHRI Ltd to understand and manage its organisational risks, and assist the AHRI Ltd Board in fulfilling its responsibilities for overseeing the company's financial reporting process, the system of internal control, the audit process and the process for monitoring compliance with relevant laws, regulations and codes and oversee AHRI Ltd capital management and investment policy.

In particular, the Committee will:

- review and assess AHRI's Risk Framework, and recommend to the Board:
  1. the strategic risks to be controlled through AHRI management and Board action, and monitored closely by the Board
  2. the operational risks to be controlled by AHRI management and monitored by the Board
- review and advise the Board on all financial reports which require approval by the Board, including AHRI Ltd's annual financial statements
- recommend appointment of and oversee the work of any registered company auditor employed by AHRI Ltd
- oversee and appraise the scope and quality of the audits conducted by both the internal and external auditors
- assess policies and management's procedures which deal with the adequacy and effectiveness of internal controls over AHRI Ltd's business processes, and
- maintain open lines of communication between the Board, internal auditors and external auditors.
- oversee the capital management plan and the investment policy;
- develop investment risk tolerances and establishing and monitoring a risk control framework for management and the External Manager;
- approve material business cases for investments in strategic directions where these draw from the corpus;
- monitor material changes to the asset allocation framework and investment strategies. This may include changes to the asset allocations, investment allocations or specific asset investment decisions;
- monitor adherence with the capital management plan;

- monitor the performance of the External Manager on a quarterly basis with reference to the asset allocation framework, agreed investment strategies and stated benchmarks; and
- receive and review relevant reports from the External Manager and custodial reporting;

### **Authority**

The Audit and Risk Committee shall have the power to consult independent experts where it considers it necessary to execute its duties. The Committee shall also have unlimited direct access to, and cooperation from, the internal and external auditors, and company officers (including access to all documents and data held by AHRI Ltd).

The Committee may conduct or authorise investigations into any matters within its scope of responsibilities.

The Committee may invite any person to attend its meetings and arrange such presentations and inspections as it deems appropriate.

### **Composition**

The Finance, Audit and Risk Management (FARM) Committee members, including a Chair, will be appointed by the Board for a term of two years, or until a member's term as Director is due to expire, whichever is the lesser period. Committee members may be appointed for more than one term. The Committee will comprise at least three members, each of whom will be a non-executive director of AHRI Ltd, and free from any relationships which might in the opinion of the Board be construed as creating a conflict of interest. The FARM committee should comprise of at least two board members with capital management and investment management experience and an independent co-opted FARM Committee member (preferably an existing AHRI member) with a strong funds management/investment management/Investment Committee background.

### **Meetings**

The Audit and Risk Committee will hold at least two regular meetings per year. In addition, a special meeting may be called at any time at the request of any Committee member, the internal or external auditors or AHRI Ltd's management. A quorum shall comprise a majority of Committee members. In the absence of the Committee Chair, the two remaining members will nominate one of their number as Chair for that meeting.

Any or all attendees at a meeting may attend by teleconference or video link. Out of session resolutions may, by agreement, be made by email.

Unless otherwise directed by the Chair, the AHRI Ltd CEO will be invited to attend Audit Committee meetings as an observer/adviser. The CEO shall not be a member of the Committee.

The Chief Finance Officer and Company Secretary will be the Secretary of the Committee and shall be responsible, in conjunction with the Chair, for drawing up the agenda and circulating it with any explanatory documentation to Committee Members before each meeting. The Committee Secretary will also be responsible for keeping and circulating as required the Minutes of each meeting.

### **Duties and Responsibilities**

The duties and responsibilities of the Finance, Audit and Risk Management (FARM) Committee are as follows:

#### Financial Reporting

- Review financial reports which require the approval of the Board for compliance with statutory and accounting requirements prior to their submission for Board approval.
- Review and recommend to the Board for approval significant accounting changes.

#### External and Internal Audit

- Recommend to the Board the appointment, reappointment and if necessary removal of AHRI Ltd's external and internal auditors.
- Review the scope of the work and the work program to be undertaken by the external and the internal auditors.
- Monitor the overall effectiveness of internal and external audits, including reports submitted by internal and external auditors, the management responses to issues raised in the reports and progress of remedial actions.

#### Identifying/Monitoring Risk

- Monitor and assess management's identification of AHRI Ltd's business risks on an annual basis to ensure key risk areas are identified and managed.
- In the context of the risks identified, review the adequacy and effectiveness of policies and management procedures for providing a sound internal control framework over AHRI Ltd's major business processes (including but not necessarily limited to financial, insurance, legal, HR and IT processes); monitor progress of remedial actions.

#### Compliance

- Assess the effectiveness of AHRI Ltd's system for monitoring compliance with laws and regulations.

- Having informed the company Chairman of the Committee's reasoning and intention, conduct or commission any special projects or investigations on issues influencing AHRI Ltd's operational or financial integrity or probity; monitor progress of remedial actions.
- Monitor AHRI Ltd's Corporate Governance practices for compliance with better practice and recommend changes to correct deficiencies.
- Be satisfied that no management restrictions on access to information or staff are placed upon the Board, the Committee, internal or external auditors, in the course of their legitimate work.

### Capital Management

- Approve the capital management plan and the investment policy;
- Agree on prioritised strategic directions (18 months – 5 years) that will best position AHRI for its 5-10 year horizon;
- Approve internal rates of return on capital invested internally;
- Approve material business cases that seek to draw on the corpus;
- Appoint an External Manager to administer this plan and investment policy in conjunction with the CEO;
- Approve the overarching agreement with the External Manager, including fees and expected benchmarks and service levels;
- Approve AHRI's asset allocation framework;
- Monitor performance of the External Manager with reference to the stated benchmarks and service levels;

### Review

- Undertake an annual review of the Committee's own performance, including review of any possible conflicts of interest members may have.
- Undertake a review of the Committee's Charter at least every three years and recommend any appropriate changes to the Board.
- Review performance of the External Manager annually; and
- Review the capital management plan annually, in conjunction with the CEO.

### **Reporting**

The Chair of the Finance, Audit and Risk Management (FARM) Committee will report regularly, and no less than six monthly, to the Board about the activities, issues and recommendations relating to the Committee's duties and responsibilities. All Minutes of the Committee's meetings will be circulated to the Board for information once agreed by the Committee.