



# AUSTRALIAN ETHICAL INVESTMENT LIMITED

## AUDIT, RISK & COMPLIANCE COMMITTEE CHARTER

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# 1. Role and Responsibilities

## 1.1 Role

1.1.1 Australian Ethical Investment Limited (**AEI**), the Responsible Entity of the Australian Ethical Managed Investment Schemes (**Managed Funds**), has established an Audit, Risk and Compliance Committee (**ARC Committee**) to assist it to exercise its responsibilities in relation to audit, compliance and risk management.

1.1.2 The roles of the ARC Committee are to:

- a. Have oversight of matters relevant to AEI's audit, compliance and risk management responsibilities and make recommendations to the AEI Board;
- b. Seek assurance from Management that:
  - i. AEI is complying with the obligations under its Australian Financial Services Licence (**AFSL**);
  - ii. The statutory and financial duties of AEI are being carried out with the required care, diligence and skill;
  - iii. The policies and procedures, and monitoring and reporting processes, in place to assist AEI to meet its audit, compliance and risk management responsibilities are sound and up-to-date.

1.1.3 In performing the roles described above, the ARC Committee will undertake the tasks outlined below, subject to the relevant provisions of the Managed Funds' Constitutions, legislative and regulatory requirements, licence conditions and policies and procedures.

## 1.2 Responsibilities – Master Compliance Plan

1.2.1 The ARC Committee is responsible for:

- a. Seeking assurance from Management that AEI is acting in compliance with the Master Compliance Plan and that the Master Compliance Plan is adequate and up to date;
- b. Making recommendations to the AEI Board about amendments to the Master Compliance Plan at least annually;
- c. Seeking assurance from Management that any incident or breach relating to obligations or controls contained in the Master Compliance Plan is being appropriately handled;
- d. Reporting to ASIC any breach of which it becomes aware or suspects if the Committee is of the view that Management has not taken, or does not propose to take, appropriate action.

## 1.3 Responsibilities – Audit and Financial Management

1.3.1 The ARC Committee is responsible for:

- a. Overseeing compliance with AEI's financial management obligations, and in particular:
  - i. Acting as a formal channel of communication between the AEI Board, the External Auditor, the Internal Auditor and the Fund Accounting and Finance Teams;
  - ii. Seeking assurance from Management that the financial records of the company have been properly maintained, that its financial statements comply with accounting standards and provide a true and fair view of the company's financial position and that Management's assurance in relation

to these matters is founded on a sound system of risk management and internal control which implements the policies adopted by the Board;

- iii. Seeking assurance from Management that the company's risk management and internal compliance control system is operating efficiently and effectively in all material respects in relation to business and financial reporting risks.;
- b. Reviewing the final drafts of, and making recommendations to the AEI Board as to whether or not the Directors should approve, and where required, sign:
  - i. The financial statements for the Managed Funds that are required to be lodged with ASIC;
  - ii. The Directors' Reports and declarations;
  - iii. Any other associated documents or statements;
- c. Reviewing the final drafts of, and making recommendations to the AEI Board as to whether or not the Directors should approve and, where required, sign:
  - i. The financial statements for AEI that are required to be lodged with the ASX and ASIC;
  - ii. The Directors' Report and declaration;
  - iii. Any other associated documents or statements;
- d. Overseeing compliance with AEI's external and internal audit obligations, in particular:
  - i. Appointing the External Auditor at least annually, including an assessment of whether the External Auditor meets the independence requirements specified in applicable accounting standards. This assessment will include consideration of the nature and quantum of the non-audit services provided by the External Auditor;
  - ii. Appointing and removing the Internal Auditor;
  - iii. Reviewing and approving the audit plans proposed by the External Auditor and Internal Auditor annually;
  - iv. Reviewing the adequacy and independence of both the external and internal audit functions;
  - v. Reviewing the content of all audit reports and monitoring the actions of Management to ensure that identified issues are being appropriately managed and rectified.

## 1.4 Responsibilities – Compliance and Risk Management

### 1.4.1 The ARC Committee is responsible for:

- a. Overseeing:
  - i. The completion of the compliance obligations and controls identified in the Master Compliance Plan;
  - ii. Matters relevant to AEI and the Managed Funds' compliance with applicable legislative and regulatory requirements including taxation governance and taxation risk management as brought to the Committee's attention by Management;
- b. Overseeing the Risk Management Framework incorporating the Risk Appetite Statement and Risk Management Strategy, including the identification, treatment and monitoring of:
  - i. The use of risk appetite;
  - ii. Emerging and current material risks, including (but not limited to) investment risks and data, technology and cyber risks;
  - iii. Exceptions, Incidents and breaches;
  - iv. Complaints;

- v. The results of control testing;  
  
relevant to AEI and the Managed Funds;
- c. Overseeing the Tax Risk Management Framework, including the completion of the compliance obligations identified in the Framework and reviewing changes to the tax risk register and the effective tax rate.
- d. Conducting the annual review of the Risk Management Framework and the Tax Risk Management Framework to ensure that they remain sound and making a recommendation to the AEI Board in relation to these;
- e. Overseeing compliance with AEI and the Managed Funds' statutory reporting obligations;
- f. The findings of any regulatory agencies and the timeliness and accuracy of reporting to regulators and Management responses to regulatory reports;
- g. Seeking assurance from Management that:
  - i. The systems, policies and procedures in place to assist AEI to meet and monitor its audit, tax, compliance and risk management responsibilities contain appropriate, up-to-date content and are being maintained;
  - ii. AEI is complying with the conditions of its AFSL and regulatory requirements relevant to its role as a Responsible Entity.

## 1.5 Responsibilities – Service Providers

1.5.1 The ARC Committee is responsible for:

- a. oversight of the compliance and risk-based reporting received from, and in relation to, all material service providers;
- b. seeking assurance from Management that there is a structure, methodology and timetable in place for monitoring each material service provider appointed by AEI.

## 1.6 Responsibilities – Miscellaneous

1.6.1 The ARC Committee is responsible for:

- a. Seeking assurance from Management that there is a Whistleblowing Policy and associated procedures in place which provides employees of the Group with the knowledge and ability to report, confidentially, information about AEI's accounting, internal controls, compliance, audit and other matters about which the employee has concerns and that material incidents reported under the Policy are disclosed to it;
- b. Considering any other matters relevant to AEI and the Managed Funds' compliance, governance, risk management, financial management and audit responsibilities as may be required from time to time;
- c. Assisting the AEI Board with any deliberations or issues as requested, and carrying out other functions as may be delegated by the AEI Board from time to time.
- d. Endorsing the Unit Pricing Committee (UPCo) (a management committee) and approving the UPCo Charter.

## **1.7 Interaction with the Regulators**

- 1.7.1 Members of the ARC Committee must make themselves available to meet with the Group's Regulators on request.

# **2. Access and Delegated Authority**

## **2.1 Access**

- 2.1.1 The members of the ARC Committee have, at all times, free and unfettered access to Management, the External Auditor and the Internal Auditor.
- 2.1.2 The members of the ARC Committee will meet with the External Auditor and Internal Auditor without Management present on at least two occasions each year.
- 2.1.3 If requested, the Chief Risk Officer will arrange for the members of the ARC Committee to have access to representatives from any of AEI's material service providers.
- 2.1.4 Management, the External Auditor and the Internal Auditor have free and unfettered access to the ARC Committee through the Chair of the Committee.

## **2.2 Delegated Authority**

- 2.2.1 The ARC Committee is delegated with general authority to request further information and any external advice it requires in order to make any decisions it considers necessary to fulfil its responsibilities, and to do so in a manner that ensures that the engagement, including any advice received, is independent.
- 2.2.2 The ARC Committee is delegated with specific authority to:
- a. Appoint the External Auditor for the Group;
  - b. Appoint an Internal Auditor;
  - c. Resolve any disagreements between Management and the External Auditor and/or Internal Auditor with respect to financial and compliance reporting;
  - d. Review the final draft of and recommend to the AEI Board as to whether or not the Directors should approve the Managed Funds' annual and interim financial and directors' reports;
  - e. Review the final draft of, and recommend that the Board approve the Company's annual and interim financial and directors' reports;
  - f. Require such reporting to it by Management on governance, risk and compliance activity as it deems appropriate.

## 3. Composition, Meetings

### 3.1 Composition

- 3.1.1 The AEI Board shall determine membership of the ARC Committee from time to time.
- 3.1.2 The ARC Committee must have at least three members, all of whom must be non-executive directors
- 3.1.3 The ARC Committee must immediately report to the AEI Board if it forms the view that the Committee, or a proposed member, does not have skills necessary to fulfil their responsibilities as an ARC Committee member.

### 3.2 Quorum

- 3.2.1 A quorum is two ARC Committee members present for the whole meeting who each have the capacity to vote.

### 3.3 Alternates

- 3.3.1 With the approval of the Chair of the AEI Board, an ARC Committee member may appoint an alternate to serve on the Committee, provided that such appointment does not continue for more than two consecutive meetings. An alternate can only serve on the ARC Committee if they meet the conditions of membership.

### 3.4 Chair

- 3.4.1 The AEI Board will appoint the Chair of the ARC Committee from time to time.
- 3.4.2 It is not a requirement that the Chair of the AEI Board is appointed to the ARC Committee, however, if they are appointed, the Chair of the AEI Board may not be the Chair of the ARC Committee.
- 3.4.3 If the Chair of the ARC Committee is absent or unable to act as Chair for a scheduled meeting of the Committee, the ARC Committee will appoint a Chair as required for the proper conduct of its business from its own members.

### 3.5 Meetings

- 3.5.1 The ARC Committee is expected to meet at least quarterly. The Committee may also, at the request of the AEI Board or one or more members of the Committee, meet at other times.
- 3.5.2 The Chair must call a meeting of the ARC Committee if requested to do so by any member of the Committee.
- 3.5.3 The ARC Committee will invite the External Auditor to Committee meetings
- 3.5.4 The ARC Committee may request certain individuals to attend Committee meetings in order to provide expert advice or act as an observer.
- 3.5.5 Any director of AEI may attend the meetings of the ARC Committee as an observer.
- 3.5.6 The meetings of the ARC Committee may be held face to face or using any means of audio or audio-visual technology by which each Director participating is able simultaneously to hear each other and to participate in discussion.
- 3.5.7 The ARC Committee may deal with particular issues by circular resolution if desired.

### **3.6 Agendas, Papers and Minutes**

- 3.6.1 An agenda will be prepared by the Company Secretary. The agenda and supporting papers for each meeting will be distributed to ARC Committee members and other attendees in sufficient time to enable members to read the material and prepare for the meeting.
- 3.6.2 The Company Secretary is appointed as secretary to the ARC Committee and is responsible for taking, writing and presenting formal minutes which are an accurate and complete recording of the proceedings and resolutions of each meeting. The minutes of the previous ARC Committee meeting should be approved by the Committee at the following meeting.
- 3.6.3 AEI retains ownership of ARC Committee papers and minutes.
- 3.6.4 Copies of the minutes of all ARC Committee meetings will be provided to all AEI Directors. The minutes, or parts of the minutes, may be made available to certain employees of the Group, as well as the External Auditor, the Internal Auditor and any of the Group's regulators.

### **3.7 Voting**

- 3.7.1 Each member of the ARC Committee shall have one vote.
- 3.7.2 A resolution of the ARC Committee must be passed by a majority of the votes cast by Directors entitled to vote on the resolution.
- 3.7.3 The Chair of the ARC Committee does not have a casting vote.
- 3.7.4 In the case of an equality of votes, the Chair of the ARC Committee will refer the matter to the AEI Board for a decision.