



# FRAC CHARTER (FINANCE, RISK & AUDIT COMMITTEE)

March 2021

## 1. PURPOSE

The Finance, Risk and Audit Committee (FRAC) is a committee of the Board of Directors of the Australian Council of Superannuation Investors (ACSI) established under ACSI's Constitution to assist the Board in discharging its responsibility by advising on:

- Financial reporting including the integrity, truth and fairness of the view given by the financial statements of ACSI; and the integrity of ACSI's financial systems and processes;
- ACSI's overall risk management process and the management of specific risk areas as directed by the Board;
- The effectiveness and operation of ACSI's internal controls over financial and other operations and reporting;
- Compliance with legal and regulatory requirements;
- The appointment and performance of the external auditors;
- The FRAC also exercises such powers and performs such other functions as may be delegated to it by the Board from time to time.

The Management of ACSI is responsible for the preparation, presentation and integrity of the company's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

## 2. MEMBERSHIP

The Board appoints the members of the FRAC and its Chair.

The FRAC comprises at least three (3) members including the President of ACSI. At least two (2) members of the FRAC must be directors of ACSI including the Chair. The President of ACSI will be precluded from acting as Chair.

At least one (1), preferably two (2) FRAC members are expected to be financially literate, and where possible, at least one (1) member has experience in risk and/or IT and cybersecurity to support the FRAC to discharge its responsibilities. All members are not required to have all the skills, rather this is achieved in aggregate. Each FRAC member is expected to have the capacity to devote the required time and attention to prepare for and attend FRAC meetings.

The Executive Manager - Finance and Corporate Services and the CEO will be ex- officio members of the FRAC. The Company Secretary will be the FRAC Secretary.

## 3. MEETINGS

The FRAC must meet at least twice in each year.

Any FRAC member may, and the FRAC Secretary at the request of a FRAC member must, convene a meeting of the FRAC.

The agenda for FRAC meetings is determined by the FRAC Chair.

A FRAC meeting may be called or held using any technology consented to by each member. The consent may be a standing one.

A quorum for any meeting is any three (3) members of the FRAC.

In the absence of the FRAC Chair (or his or her properly appointed delegate), the members will elect one of their number as Chair of that meeting.

The FRAC may invite other people including employees of ACSI and external advisers to attend all or part of its meetings, as it deems necessary or appropriate.

Any Director of ACSI may attend a meeting of the FRAC by advising the Chair. Meeting papers will be provided to the Director on request of the Chair.

The FRAC maintains a standing declaration of personal interests of members. If any FRAC member or employee of ACSI or any other person has a material personal interest in a matter that is being considered at a meeting, he or she must not be present for consideration of that matter unless the interest has been fully disclosed to the FRAC and the FRAC agrees that the person may be present.

Decisions of the FRAC may be made at a duly called and constituted meeting or by a resolution in writing notified to all members of the FRAC and approved by all members of the FRAC who are entitled to vote on the resolution ("circular resolution").

All members, directors and other attendees at FRAC meetings are required to keep all information presented (whether written or oral) or discussed at FRAC meetings confidential and only use and disclose this information in the proper discharge of their duties to ACSI.

The FRAC will review its performance at least annually and report outcomes to the Board.

## 4. MINUTES

Minutes are to be prepared after each FRAC meeting and circulated to all FRAC members by the FRAC Secretary as soon as practicable but no later than the distribution date for the papers for the next FRAC meeting.

The FRAC must approve the minutes of each FRAC meeting at its next meeting or within a reasonable time after that meeting.

A copy of the minutes once they have been reviewed by the FRAC Chair must be included in the papers for the next Board meeting. The Chair will provide a report of each meeting to the board.

## 5. RESPONSIBILITIES

In performing its role, the responsibilities of the FRAC include, but are not limited to:

### 5.1 Financial reporting

- Monitoring the periodic financial reporting process implemented by Management.

- Reviewing ACSI 's financial statements and discussing them with Management and the external auditors prior to their release to determine whether they are complete, reflect appropriate accounting principles, contain appropriate disclosures and are consistent with the information known to the FRAC.
- Obtaining from the Chief Executive Officer and the Executive Manager - Finance and Corporate Services at least annually, written representations:
  - that ACSI's financial records have been properly maintained in accordance with the Corporations Act;
  - that ACSI's financial statements present a true and fair view, in all material respects, of the company's financial condition, operational results and are in accordance with relevant accounting standards;
  - as to the effective and efficient operation of ACSI's risk management and internal compliance and control system;
- Reviewing the directors' report and the annual report.
- Reviewing the Annual Budget and making recommendations to the board about the budget, including the member fee structure.

## 5.2 Risk management

- Monitoring the principal strategic, operational, legal and financial risks to which ACSI is exposed and confirming that systems are in place to monitor and manage these risks.

## 5.3 Internal controls

- Reviewing the results of the annual review of the effectiveness of internal controls over financial reporting.
- Seeking confirmation that any internal control issues identified by Management and any recommendations made by the external auditors, and approved by the FRAC, have been addressed by Management on a timely basis and within agreed timeframes.

## 5.4 Compliance

- Reviewing ACSI's approach to achieving compliance with applicable laws, regulations and company policies.
- Reviewing the results of Management's investigation and follow-up (including disciplinary action) for significant identified acts of non-compliance.
- Obtaining regular updates from Management regarding compliance matters that may have a material impact on ACSI's reputation or financial statements.

## 5.5 External audit

- Making recommendations to the Board on appointing, reappointing or replacing the external auditor.
- Reviewing and agreeing on the terms of engagement for the external auditors prior to the commencement of each audit.
- Reviewing the relationship of the external auditors with ACSI on an annual basis to satisfy itself of their independence.
- Ensuring significant findings and recommendations made by the external auditors are received and discussed by the FRAC on a timely basis and seeking confirmation that Management has responded promptly to those recommendations.
- At least annually, meeting separately with the external auditors to discuss any matters that the FRAC or auditors believe should be discussed privately.
- Reviewing all representation letters to the external auditors signed by Management on an annual basis, reviewing and assessing the performance and qualifications of the external auditors, including the lead and review partners or equivalents.

### Change log

- Initial Charter approved by the Board October 2013.
- Minor amendments (re: quorum for any meeting) FRAC meeting 29 January 2014.
- Minor amendments (addition of ACN, annual performance review, change of committee secretary and replacement of Chairman with Chair) – approved by the Board on 25 March 2019.
- Minor amendments (change of titles, clarification and improved consistency of wording and alignment with the ACSI constitution) – approved by the board on 30 March 2021.

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