

# Audit Risk and Compliance Committee Charter

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Folkestone Investment Management Limited &

Adopted by the Board of Folkestone Investment Management Limited on 31 May 2018



**Folkestone**

## AUDIT & COMPLIANCE COMMITTEE CHARTER

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## AUDIT AND COMPLIANCE COMMITTEE CHARTER

### 1. BACKGROUND AND OVERVIEW

- 1.1 This policy is relevant to Folkestone Investment Management Limited ("FIML") AFSL 281544 which is a wholly owned subsidiary of Folkestone Limited ("FLK")
- 1.2 The Audit and Compliance Committee Charter ("the Charter") governs the operations of the Audit and Compliance Committee ("ACC"). It sets out the ACC's role and responsibilities, composition, structure and membership requirements. The ACC has been established as a subcommittee of the Board of FIML to assist the Board in fulfilling its corporate governance and oversight responsibilities, the financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial), compliance plan and the internal and external audit processes for each of the schemes and managed funds ("Funds") managed by FIML. The ACC is also responsible for the measurement and monitoring of the compliance with the requirements for FIML's AFSL's.
- 1.3 The ACC shall review and reassess the Charter at least annually and, on each occasion, shall obtain the approval of the Board to the form of the Charter.

### 2. MEMBERSHIP AND COMPETENCIES

- 2.1 The ACC shall be appointed by the Board of FIML. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The ACC shall consist of:
  - a) at least three members; and
  - b) an independent<sup>1</sup> chairperson, who shall be nominated by the FIML Board from time to time but who shall not be the chairperson of the FIML Board.
- 2.2 The term of appointment shall be 3 years and members may resign upon reasonable notice in writing to the ACC Chairperson. A member may from time to time be immediately removed by notice in writing under the hand of the ACC Chairperson. The effect of ceasing to be a director of the Board of FIML is also a basis for the automatic termination of appointment as a member of the ACC.
- 2.3 The secretary of the ACC shall be nominated by the Board.

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<sup>1</sup> Independent, as defined by the ASX Corporate Governance Council. See schedule to this Charter.

### 3. MEETINGS

- 3.1 The ACC shall meet often enough to undertake its role effectively. They will also meet at any other time that it, or the FIML Board consider necessary.
- 3.2 The responsibility of the ACC includes:
- a) reviewing the financial reports for each of the Funds and the integrity and process associated with their preparation;
  - b) monitoring compliance with internal management and financial control systems;
  - c) reviewing the scope of activities, performance and remuneration of the external auditors;
  - d) ensuring that any deficiencies identified are subject to prompt remedial action by management;
  - e) monitoring compliance with the Corporations Act, ASX Listing Rules and related reporting requirements;
  - f) monitoring compliance with the requirements of FIML's AFSL;
  - g) identifying the risks inherent in each of the Fund's activities and establishing policies and procedures to monitor these risks; and
  - h) reviewing the effectiveness of FIML's compliance function in general.
- 3.3 The ACC shall meet in private session at least annually to assess management's effectiveness. Private sessions will not involve any executive officers.
- 3.4 A quorum for any meeting will be 2 members.
- 3.5 Special meetings may be convened as required. The Chairperson will call a meeting of the ACC if requested to do so by:
- a) any member of the ACC;
  - b) by the external auditors;
  - c) by the chairperson of the Board.
- 3.6 The ACC may invite such other persons (e.g. FLK senior management, external parties) to its meetings, as it deems necessary.
- 3.7 The proceedings of all meetings will be minuted and these will be included in the papers for the next ACC meeting of FIML after each ACC meeting.
- 3.8 The members of the ACC shall disclose any actual or perceived conflict in relation to the information that they review or the decisions that they make at the start of the meeting and details of the conflict will be recorded in the minutes of the meeting.

#### **4. AUTHORITY**

4.1 The FIML Board (where applicable) authorise the ACC, within the scope of its responsibilities, to:

- a) investigate any matter brought to its attention with full access to all books, records and facilities;
- b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the ACC) or external parties;
- c) obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
- d) ensure the attendance of FLK senior management and officers at meetings as it thinks appropriate.

#### **5. DUTIES AND RESPONSIBILITIES**

##### 5.1 Financial Reporting

One of the ACC's key responsibilities is to oversee the financial reporting for each of the Funds on behalf of the Board and to report the results of its activities to the Board. The ACC shall:

- a) review the financial statements of each of the Funds to determine whether they are accurate and complete and make any necessary recommendations to the Board;
- b) review significant accounting policies adopted by FIML to ensure compliance with AIFRS and generally accepted accounting principles; and
- c) review other financial information distributed externally as required.

##### 5.2 Reporting to the Board

- a) the ACC shall regularly report to the Board on all matters relevant to their roles and responsibilities;
- b) the chairperson will report and make recommendations to the Board as appropriate after each meeting on matters dealt with by the ACC; and
- c) the ACC shall ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Funds in a timely manner.

##### 5.3 Assessment of accounting, financial and internal controls

- a) Periodically, the ACC shall meet separately with management and the external auditors to discuss:

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- i. the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures to assess, monitor, and manage FIML's risk management process and legal and ethical compliance programs; and
  - ii. issues and concerns warranting ACC attention, including but not limited to their assessment of the effectiveness of internal controls and the process for improvement.
- b) The ACC may appoint an internal auditor to undertake an independent assessment of accounting, financial and internal controls of the Funds where it believes it is necessary to assess the adequacy and effectiveness of accounting, financial and internal controls.
- c) The ACC shall receive regular reports from the external auditor on the critical policies and practices for the Funds and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

### 5.4 Appointment of external auditors and scope of external audit

- a) The ACC shall make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.
- b) The ACC shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures and make recommendations to the Board to approve such matters.

### 5.5 Assessment of the external audit

- a) The ACC, at least on an annual basis, shall obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
  - i. the audit firm's internal quality control procedures;
  - ii. any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, and by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
  - iii. all relationships between the external auditor and FLK and FIML (to assess the auditor's independence).
- b) The ACC shall review and assess the independence of the external auditor, including but not limited to any relationships with FLK or FIML or any other

entity that may impair or appear to impair the external auditor's judgement or independence in respect of FLK or FIML.

### 5.6 Assessment of the internal audit

Should the ACC determine that an internal audit review is required, they shall discuss the scope of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures and make recommendations to the Board of FIML (where appropriate) to approve such matters

### 5.7 Compliance with Laws and Regulations

- a) The ACC shall gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and assess whether the risk is within the risk tolerance of the Funds on a regular basis. If not, the ACC shall make recommendations for the development of controls and subsequent reporting on these controls for further review and assessment.
- b) The ACC shall obtain regular updates from management, the Fund's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters (including the monitoring of compliance with the conditions of any Australian Financial Services Licence). It shall regularly review existing compliance systems and consider any deficiencies in compliance risk measures.
- c) The ACC shall review any legal matters which could significantly impact FIML's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports.
- d) The ACC shall review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance.
- e) The ACC shall review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

### 5.8 Complaints and Breaches

- a) The ACC will review the effectiveness of the Complaints and Breaches Policy.
- b) All complaints and breaches will be reported to the ACC. The Committee will consider how each has been dealt with and if appropriate recommend alternative actions to each Board.
- c) The ACC will ensure, where necessary, any breach of FIML's AFSL is reported to ASIC within the required time frames.

**6. REVIEW**

6.1 A review of this Policy will be undertaken annually by the Compliance Officer

6.2 FIML may change this policy from time to time.



**Independence as defined by the ASX Corporate Governance Council in their Principles of Good Corporate Governance and Best Practice Recommendations**

Independence in essence means independent of management and free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of unfettered and independent judgment.

The corporate governance guidelines provide certain criteria for assessing the independence of directors. They provide that an independent director is a non-executive director and:

- a) is not a substantial shareholder of the company or an officer of, or otherwise associated directly with a substantial shareholder of the company;
- b) within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
- c) within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- d) is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- e) has no material contractual relationship with the company or another group member other than as a director of the company;
- f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company;
- g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company.