

Audit, risk and compliance committee charter

InvestSMART Group Limited ACN 111 772 359 (Company)

Policy Control

Version Number: 0.07

Date: July 2020

Administered By: Chairman of Audit, Risk and Compliance Committee

Review Cycle: Annually or as required

Objectives

The aim of this document is to set out the charter for the Audit, Risk & Compliance (**ARC**) Committee of InvestSMART Group Limited (**Company**). This charter applies to the Company and all subsidiaries of the Company (**Group**).

Purpose

Whilst ultimate responsibility for the integrity of the Group's financial reporting, risk and compliance rests with the Board (and for the subsidiaries/Group entities with their own Boards), the purpose of the ARC Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to financial reporting, risk, compliance and audit functions.

1. Responsibilities of the ARC Committee – Audit

The ARC Committee is responsible for reviewing the integrity of the Group's financial reporting and overseeing the independence of the external auditors. In particular, the ARC Committee has the following duties:

Accounting Practices and External Reporting

To review the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board, recommending to the Board their approval (or further revision), focusing particularly on:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments, accounting and financial reporting issues resulting from the internal and external audit;
- (d) compliance with accounting policies and standards; and
- (e) compliance with legal requirements.

Related Party Transactions

To monitor and review the propriety of any related party transactions.

External Audit

The ARC Committee will:

- (a) recommend to the Board the appointment of the external auditor;
 - (b) review annually the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
-

- (c) review policies as appropriate in relation to the independence of the external auditor;
- (d) discuss with the external auditor and any internal auditor before an audit commences the nature and scope of the audit, and where applicable, to ensure coordination between the internal and external auditor;
- (e) meet privately with the external auditor, if he/she wishes;
- (f) review policies as appropriate to avoid management restrictions being placed upon the external auditor;
- (g) discuss problems and reservations arising from the interim (review) and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (h) review the external auditor's management letter and management's response; and
- (i) review any regulatory reports on the Group's operations and management's response.

Internal Audit

The ARC Committee will review and monitor processes within the Group to evaluate and continually improve risk management and internal controls. It will consider annually whether a dedicated internal audit function is required within the Group and make appropriate recommendations to the Board.

If the ARC Committee supports the establishment and maintenance of a dedicated internal audit function, it will:

- (a) recommend to the Board the appointment of the internal auditor, the audit fee (if externally contracted) and any questions of resignation or dismissal;
- (b) review and make recommendations to the Board as appropriate in relation to the appointment, remuneration, evaluation, retention and dismissal of the internal auditor;
- (c) review the internal auditor's charter annually;
- (d) review the reporting lines of the internal audit function to ensure that the internal auditor is allowed adequate independence;
- (e) review policies as appropriate to avoid management restrictions being placed upon the internal auditor;
- (f) review and monitor the adequacy of the resourcing of the internal audit function is adequately resourced (including qualified personnel, funding and equipment);
- (g) consider the major findings of any internal audit investigations and management's response;
- (h) monitor coordination between the internal and external auditors; and
- (i) meet privately with the internal auditor on at least an annual basis.

If a determination is made that a dedicated internal audit function is not required within the Group, the ARC Committee will review and monitor the processes and resources in place so that the internal audit responsibilities set out in this Charter are discharged.

Communication

The ARC Committee will:

- (a) provide, through regular meetings, a forum for communication between the Board, management involved in internal control procedures and the external auditor.
- (b) monitor and review procedures for complaints and reports regarding accounting, internal accounting controls and auditing matters and ensuring a mechanism for the confidential treatment of such complaints and reports including the ability to submit them anonymously.

Assessment of Effectiveness

The ARC Committee will evaluate the adequacy and effectiveness of the Group's administrative, compliance, operating and accounting policies through active communication with operational management, the internal auditor, and the external auditors.

Review

The ARC Committee will review all material incidents involving fraud or a break-down of the Group's risk controls and the "lessons learned".

2. Responsibilities of the ARC Committee – Compliance

The ARC Committee is responsible for reviewing the integrity of the Group's compliance framework. In particular, the ARC Committee is to:

- (a) monitor the Group's performance in accordance with the respective compliance policies and approaches of subsidiaries/Group entities;
- (b) oversee the establishment and implementation by management of a compliance plan for identifying, assessing, monitoring, reporting on and managing compliance issues throughout the Group;
- (c) monitor the structure for reporting on compliance and the preservation of the independence of the compliance function from daily operational activities;
- (d) review at least annually the Group's compliance with any relevant regulatory authorisation or licence condition;
- (e) evaluate the Group's compliance with other relevant laws relating to business operations – including but not limited to, employment laws, occupational health and safety, competition laws, trade practices laws, privacy and data protection laws etc;
- (f) consider whether compliance issues are adequately dealt with in the development of new products and services;
- (g) evaluate the performance of internal compliance personnel and all outsourced compliance services provided;
- (h) assess any regulatory action and the proposed measures to be taken by subsidiaries/Group entities in dealing with the regulators and outcomes from regulatory action, if any;
- (i) assess proposed changes to the relevant laws and how they may impact on the operations of subsidiaries/Group entities and resourcing requirements;
- (j) receive and consider compliance reports which highlight any inadequacies and/or verify the state of compliance;
- (k) determine the format and content of compliance reports;
- (l) confirm that all lodgements are made with the appropriate regulatory bodies in a timely manner; and
- (m) make recommendations to the Board as appropriate.

3. Responsibilities of the ARC Committee - Risk

The ARC Committee is to assist the Board in fulfilling its risk management responsibilities as defined by applicable law and regulations, the Company's Constitution and ASX Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council from time to time. Specifically, the ARC Committee is to:

- (a) monitor and review the policies for the management of risk developed by the Company and each subsidiary/Group entity;
- (b) monitor the management of risk in accordance with policy and applicable standards;

- (c) provide governance, oversight and strategic direction; and
- (d) initiate and oversee special projects in respect to key risk areas (for example security, technology, intellectual property, reputation, change management, succession planning etc) from time to time.

Without limiting its role, the duties and responsibilities of the ARC Committee in relation to risk, include:

- (a) considering and making recommendations to the Board in respect to policies developed by management in respect to risk assessment and risk management;
- (b) liaising with management in respect to the on-going assessment the Group's risk profile and identify all material risks, in particular those relating to non-financial matters, facing the Company and each subsidiary/Group entity;
- (c) monitoring compliance of the risk management and internal control systems with the Group's policies;
- (d) reviewing at least annually the effectiveness of Board reporting for overseeing risk management and internal control systems to manage the Group's material financial reporting risks;
- (e) monitoring emerging risks and changes in the Group risk profile and the risk controls and mitigation measures that management has put in place to deal with those risks;
- (f) assessing the effectiveness of insurance coverage and reviewing insurance reports;
- (g) monitoring the Group's reputation and reputational risks;
- (h) taking an active interest in ethical considerations regarding the Group's policies and practices;
- (i) monitoring the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest;
- (j) ensuring a safe working culture is sustained in the workforce;
- (k) identifying and directing any special projects or investigations deemed necessary; and
- (l) making appropriate recommendations to the Board.

4. Membership

The ARC Committee will consist of at least two members appointed by the Board. Where possible, a majority of members will also be independent, non-executive directors.

In addition, in determining membership of the ARC Committee the Board will identify and appoint:

- (a) members who can all read and understand financial statements and are otherwise financially literate;
- (b) at least one member with financial expertise either as a qualified accountant or other financial professional with experience in financial and accounting matters; and
- (c) at least one member who has an understanding of the financial services industry.

ARC Committee members are appointed on an annual basis with Committee members generally being eligible for re-appointment subject to the composition requirements of the Committee.

Committee membership is to be reviewed annually by the Nomination and Remuneration Committee, which will make a Committee membership recommendation to the Board for approval. To ensure the continuity of the membership of the ARC Committee, it is desirable that no more than one third of the members of the ARC Committee be changed in any year.

5. Chairman

The Board will appoint the Chairman of the ARC Committee. Where possible, the ARC Committee Chairman will be an independent non-executive director. Preferably, the Chairman of the ARC Committee will not be the Chair of the Board.

6. Secretary

The Company Secretary will be the ARC Committee Secretary.

7. Other Attendees

Members of management and, if appropriate, external advisers, may be invited to be present for all or part of the meetings of the ARC Committee at the discretion of the ARC Committee Chairman, but will not be members of the ARC Committee.

Representatives of the Company's external auditor are expected to attend, in person or by telephone, each meeting of the ARC Committee at which reviewed or audited accounts are presented to the ARC Committee for consideration and, if thought fit, recommended to the Board.

At least once a year the ARC Committee may meet at its discretion with the Company's external auditors without any management present.

Should the Company appoint an internal auditor, the internal auditor will also be expected to attend at least one meeting of the ARC Committee each year without any other management present.

8. Quorum

A quorum will be two Committee members.

9. Meetings

ARC Committee meetings will be held not less than four times a year to enable the ARC Committee to undertake its role effectively. In addition, the Chairman of the ARC Committee is required to call an ARC Committee meeting if requested to do so by the Chairman of the Board, any member of the ARC Committee, the Chief Operating Officer, the Chief Finance Officer, the internal auditor (if any) or the external auditor.

The Secretary in conjunction with the Chairman must draw up an agenda, which will be circulated within a reasonable time prior to each meeting to the members of the ARC Committee.

10. Authority

The ARC Committee is authorised by the Board to investigate any activity within this Charter. The ARC Committee is required to make recommendations to the Board on all matters within this Charter. The Committee discharges its responsibilities by making recommendations to the Board.

The ARC Committee does not have any powers to commit the Board or management to implementation of recommendations unless authorised by the Board.

The ARC Committee is not responsible for supervising the performance of executives and must not become involved in day-to-day operations, management functions or decision-making.

The ARC Committee may obtain information from and consult with the Managing Director or other member of management of the Company or any Group entity, as and when it considers appropriate. The ARC Committee will have access to any Group employee, contractor, adviser or agent and has the right to seek explanations and additional information and those parties are required to co-operate fully with the ARC Committee.

The ARC Committee shall, after notifying the Board or the Chairman of the Board and the Managing Director, have the ability to:

- (a) direct any special investigations;
- (b) seek advice of the external auditor or any other external party;
- (c) engage and consult independent experts where necessary to carry out its duties; and/or
- (d) commission and consult external reports and other documents.

11. Subsidiaries (Group entities)

The Company has appointed boards for the good corporate governance of its subsidiaries/Group entities. Ultimate responsibility for the integrity of the financial reporting, risk and compliance by the subsidiaries/Group entities rests with each board. However, as the ARC Committee is responsible for the matters set out in this charter in respect to the Group as a whole, its responsibilities include providing review and oversight as contemplated by this charter for the benefit of each subsidiary/Group entity.

12. Reporting

The ARC Committee will keep minutes of its meetings. The minutes of each ARC Committee meeting must be tabled at the Board for discussion.

The ARC Committee shall regularly update the Board about ARC Committee activities and make appropriate recommendations. The Chairman of the ARC Committee will report to the Board on any matters considered within this Charter. Reports may be in written form, or, at the discretion of the Chairman of the Committee and with the agreement of the Chairman of the Board, reports may be given verbally at Board meetings and minuted at that time.

In determining the content of the Committee report, the Chairman should consider all matters relevant to the Committee's roles and responsibilities as set out in this Charter as well as the matters enumerated in the Corporate Governance Principles and Recommendations (or any replacement for that document) as published by the ASX Corporate Governance Council from time to time.

13. Review

This Charter will be reviewed not less than annually. The Charter may only be amended with the approval of the Board.