

Audit & Finance Committee Charter

(a committee of the Australian Retirement Trust Board)

Purpose

This charter outlines the scope of the Audit & Finance Committee. The Committee has been established by the ART Board to provide assistance in discharging the Board's corporate governance and oversight responsibilities in relation to such matters as: financial and capital management; external audit; financial reporting; investment operations; taxation; oversight of ART's investment in ART Life Limited; actuarial matters associated with defined benefit plans; successor fund transfer matters; as well as brand / sponsorship activities. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, advisers (including actuaries and external auditors), and Management. The Australian Retirement Trust Board & Committee Procedures document supplements this Charter and covers administrative matters associated with convening and running a Committee meeting.

Committee's Responsibilities

Policies and Management

The Committee will approve:

- Sponsorship Policy;
- Auditor Independence Policy;
- External Auditor's engagement plan and audit fee;
- Financial Make Good Policy;
- Tax Control Framework;
- Tax Transparency Report;
- Unlisted Investment Governance Framework;
- Valuation Policy; and
- Unit Pricing Policy.

The Committee will recommend to the ART Board:

- ART's Annual Report;
- Sustainable Investment Report;
- Payment Times Reporting;
- Adequacy of Resources Statement;
- Adequacy of Reserves;
- Annual Financial Statements;
- ART Budget;
- Defined Benefit Policy;
- Financial Delegations Policy;
- General Reserve Policy;
- Insurance Reserve Policy;
- Operational Risk Financial Requirement Reserve Policy;
- Procurement Policy;
- Self-Insurance Policy;
- Significant Expenditure Policy.
- Appointment of the firm that provides External Auditor services;
- Tax Governance Policy.

If a policy is not listed above (either by omission or because it is new since the Charter was approved), the Committee will initially make a recommendation on it to the Board, and may at that time, seek delegation to approve subsequent iterations.

Financial Management

The Committee is responsible for:

- a. Providing advice / guidance to Management regarding the ART Board's strategic financial objectives, especially regarding the level of and appropriate use of reserves;
- b. Reviewing ART's annual operating budget (revenue and expenditure) and considering the appropriateness of the associated fee(s) charged to members;
- c. Regularly reviewing ART's financial performance with respect to the operating budget, in particular any difference between actual versus projection and Management's subsequent actions;
- d. Monitoring ART's investments in subsidiary entities with particular consideration of capital requirements to ensure prudent fiscal management; and
- e. Monitoring ART's Reserve balances and projected future balances including consideration of the proposed use of Reserve monies, illiquid assets and the Reserving policy / strategy;
- f. Reviewing and overseeing/endorsing material expenditure and material outsource arrangements, excluding technology expenditure.

Audit and External Controls

The Committee is responsible for:

- a. Overseeing the appointment of the firm that provides External Audit services and ensuring annually that the External Auditor meets the Audit Independence tests set out in APES 110 Code of Ethics for Professional Accountants and the auditor independence requirements set out in APRA Prudential Standard 510 – Governance;
- b. Reviewing and approving the External Auditor's engagement plan to ensure it covers all relevant risks and financial reporting requirements, approving the audit fee and conducting an assessment of the External Auditor's performance in delivery;
- c. Discussing with the External Auditors, the adequacy and effectiveness of the accounting, financial, legislative, compliance and quality controls – these controls include policies and procedures to assess, monitor, manage and report on risk and compliance issues;
- d. Discussing issues and queries arising from audits and any matter the External Auditor may wish to discuss (in the absence of Management where necessary) and to monitor progress on rectification of issues raised by external audit;
- e. Reviewing the findings of external audits ensuring that issues and recommendations are being managed and rectified in an appropriate and timely manner;
- f. Requiring reports from Management, external auditors on significant proposed regulatory, accounting or reporting issues to assess any potential impacts; and
- g. Assessing whether non-audit services provided by the firm that provides External Audit services are consistent with best practice in relation to auditor independence.

Corporate and Financial Reporting & Taxation

The Committee is responsible for:

- a. Overseeing year-end timelines for accounts/audit and annual financial statement proformas.
- b. Reviewing the annual financial statements and regulatory reporting of ART, before submission to the ART Board, focusing particularly on:
 - Review of significant accounting and financial reporting issues including complex or unusual transactions;
 - Any changes in accounting policies and practices;
 - Major areas of judgment;
 - Significant adjustments resulting from the audit;
 - Compliance with accounting standards;
 - Compliance with other legislative or legal requirements;

- Encouraging best practice reporting; and
- External service providers (as required);
- c. Reviewing significant tax planning issues, considering tax risk management matters, and monitor compliance with statutory tax reporting requirements (including annual income tax returns) for ART;
- d. Reviewing the external auditor's management letters and management response from ART;
- e. Reviewing and approving the accounting and taxation policies of ART on an ongoing basis, including any public statements about the tax affairs of the organisation;
- f. Reviewing the audit report issued in respect of the annual financial statements for each entity and monitoring the entities' compliance with regulatory requirement;
- g. Reviewing and recommending to the ART Board documents in the Corporate Reporting Suite including the ART Annual Report, Modern Slavery Statement, AMM Notice and Sustainable Investment Report.

Investment Operations and Valuations

The Committee is responsible for:

- a. Oversighting risks associated with the Investment Operations & Performance activities;
- b. Reviewing various reports submitted by Management in relation to asset valuations, noting that the Valuation Oversight Committee, and the Investment Committee, will support the Committee by undertaking fiduciary reviews of governance as well as monitoring the decisions made by Management with respect to the valuations of unlisted assets;
- c. Undertaking an annual unlisted investments deep dive which will cover:
 - governance, oversight and monitoring activities;
 - analysis of asset valuation movements;
 - independent valuer appointments;
 - a summary of the Valuation Review Committee (a Management Committee) activity; and
 - select asset valuation deep dive;

ART Life

The Committee is responsible for:

- a. Overseeing ART Life Limited on behalf of ART from a capital provider's perspective;
- b. Monitoring and reviewing the ART Life strategic mandate and associated reporting;
- c. Reviewing reporting from Management about the ongoing relationship with the insurer, the level of adherence or otherwise with contractual obligations and any issues that might materially affect the Fund's ability to make insured benefits available to beneficiaries;
- d. Reviewing reports on the operations of the insurer to ensure consistency with the Fund's insurance objectives and strategy;
- e. Monitoring the Fund's investment in ART Life which may include considering the assumptions which formulate ART Life's premium pricing or reserving given the potential impact of these assumptions on the company's capital position; and
- f. Establishing, monitoring the effectiveness of, and enhancing as required, the communication protocols (if any), between the Committee and the ART Life Board.

Precision Administration Services

The Committee is responsible for:

- a. Overseeing the material outsourcing assessment which will be conducted every 3 years;
- b. Overseeing the appointment of an independent reviewer to undertake a material outsourcing assessment benchmarking exercise; and
- c. Overseeing the performance of Precision Administration Services and that the insourcing model remains valid.

Oversight of Actuarial Related Matters for Defined Benefit Plans

The Committee is responsible for:

- a. Reviewing, and recommending to the Board, changes to the Defined Benefit Policy;
- b. Monitoring the self-insurance reserve(s) that are in place for the Defined Benefit legacy business;
- c. Providing oversight of actuarial related matters for defined benefit plans including:
 - Review and recommend to the Board the appointment (and re-appointment) of the Fund actuary and the Government Division actuary;
 - Approve the appointment (and re-appointment) of each corporate plan actuary;
 - Review and recommend to the Board the actuarial investigation reports and any interim actuarial investigation reports of the Government Division;
 - Approve the actuarial investigation reports and any interim actuarial investigation reports of the corporate defined benefit plans;
 - Recommend to the Board for approval of a restoration plan of a defined benefit plan;
 - Recommend to the Board for approval the shortfall limit of a defined benefit plan (note that only a new shortfall limit or a change in the shortfall limit is recommended to the Board);
 - Approve the annual self-insurance attestation (if any) for a defined benefit plan.
 - Approve the closure of a defined benefit corporate plan or the closure of the defined benefits for a participating employer within a defined benefit corporate plan.
 - Approve a ‘deemed’ defined benefit fund.
 - Approve member benefit augmentations involving more than 1 member.
 - Approve a change in investment strategy for defined benefit assets above \$100 million.
 - Note the half yearly reporting on actuarial matters relating to defined benefit plans.

Other defined benefit obligations are delegated to Management.

Lifetime Pension Actuarial Report

The Committee is responsible for:

- a. Reviewing and approving recommendations regarding the Lifetime Pension Actuarial Report and/or any Lifetime Pension solvency management issues.

Growth

The Committee is responsible for:

- a. Approving successor fund transfers (SFTs) to and from the Fund except where approval of the Board is required as outlined below. In particular, the Committee will determine in undertaking an SFT whether:
 - The relevant members have equivalent rights that the members had in their original fund in respect of benefits [‘equivalent rights’];
 - The Trustee can agree with the trustee of the other fund that the successor fund will confer on the proposed members ‘equivalent rights’;
 - That it is in best interests of members of the Fund as a whole that the proposed transfer occurs;Approval of the Board will be required where the SFT:
 - Has assets in excess of \$500 million;
 - In the case of a “transition in” requires the creation of a new investment option(s);
 - In the case of a “transition in” requires the application for a tailored MySuper licence; or
 - Contains other material non-standard features, for example, material Deferred Tax Assets.
- b. Making decisions in relation to any matters concerning the “transition in” of members and assets of approved SFTs to the Fund;

- c. Approving non-material changes to the Trust Deed of the Fund, necessary to “transition in” members and assets of approved SFTs;
- d. Reviewing, providing input on, and ensure appropriate processes have been followed for each proposed SFT, in relation to, but not limited to:
 - Agreements entered into with the other trustee, and/or Principal Employer of the plan;
 - Supportive legal advice to the Trustee;
 - Completion of an SFT analysis in conjunction with the other trustee to satisfy both parties that ‘equivalent rights’ have been provided;
 - Documented the reasons for deciding to undertake the SFT, including the basis for concluding that the decision is in the best interests of the beneficiaries of the Fund as a whole, with consideration specifically being given to:
 - The period within which transition costs incurred in relation to the transfer will be recovered from net revenue arising from the transfer;
 - Risks inherent in the transfer;
 - Specific agreements for the transition of assets or insurance policies.
 - Ensure tailored member communications for each SFT have passed internal sign-off procedures including approval by the Due Diligence Committee where relevant. The Committee will be provided with a closure paper for each SFT, which will confirm the transition was completed in accordance with the agreed terms of the transfer and that the necessary internal sign-off of member communications was undertaken in support of the SFT;
 - Review annually the proposed SFT opportunities that have not proceeded where Management determined that it was not expected that the transfer would be in the best interests of the members of the Fund;
 - Review each SFT approved by the Committee or Board, after an appropriate period of time, to consider whether the expected member numbers, funds under management and benefits of the transfer have been realised;
- e. Reviewing and endorsing to the Board for approval the Corporate and Merger Framework; and
- f. Approving merger and corporate plan product and pricing offers that are outside the management delegations contained within the Corporate and Merger Framework.

Brand, Marketing & Sponsorship

The Committee is responsible for:

- a. Overseeing the performance and effectiveness of the brand and marketing strategy, and sponsorship arrangements.
- b. Approving the Sponsorship Policy.

Committee Reporting

The Committee will regularly report to the ART Board about Committee activities, issues, and decisions.

Charter Review

The Committee will review, on at least a triennial basis, the adequacy of the Committee Charter, and request the ART Board’s approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

Approval:	Australian Retirement Trust Board
Active date:	01 July 2024