

Terms of Reference – Group Risk & Compliance Committee

Insignia Financial Ltd
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Table of contents

1. Overview	2
1.1. Application	2
1.2. Introduction	2
2. Responsibilities	2
2.1. Risk culture	2
2.2. Risk management	3
2.3. Regulatory compliance	5
2.4. Outsourcing services	6
3. Exclusions and restrictions from scope	6
4. Review and approval	7
Appendix: Exclusions and restrictions from Group Risk & Compliance Committee scope	8

1. Overview

1.1. Application

Insignia Financial Ltd (the Company) has adopted these Terms of Reference (ToR) for its Risk & Compliance Committee (the Committee).

The Group comprises the Company and its subsidiaries (the Group). The responsibilities apply in relation to the Company and its subsidiaries (the Group), unless otherwise stated in these ToR.

Note: This includes Advice companies, Responsible Entities (REs) and Registrable Superannuation Entity Licensees (RSE licensees).

1.2. Introduction

- a. The primary objectives of the Committee are to monitor and receive assurances that for the Company:
 - An appropriate and effective Risk Management Framework (RMF) is in place for identifying, assessing, mitigating and monitoring material risks.
 - Appropriate and effective compliance policies, procedures and frameworks are in place for identifying, monitoring and managing relevant obligations.
 - Operations are conducted within the scope of those policies, procedures and frameworks.
 - Management devotes relevant, appropriate and proper attention to compliance and risk management issues.
- b. In addition, the Committee has oversight of compliance and risk management by the Group. This includes the RSE licensees, REs and Australian Financial Services licensees. However, primary responsibility for monitoring compliance and risk management in relation to a subsidiary sits with the relevant subsidiary.
- c. A reference to materiality in these ToR means material in the relevant context. It is not limited to quantitative materiality but also contemplates qualitative materiality.

Example: Material risks include the following categories strategic and tactical, governance or reputation.

- d. The Group Committee Procedural Rules apply to the Committee.

Note: These Rules deal with matters such as Committee membership and meeting requirements.

2. Responsibilities

2.1. Risk culture

Oversight of the compliance and risk culture and providing input to the Board for forming a view of the risk culture and assessing the extent to which the risk culture supports the ability of the Group to operate consistently within its risk appetite, including any desirable changes to the risk culture.

2.2. Risk management

Risk management framework

- a.** Oversight and challenge of the design, implementation and operation of the RMF, including key controls.

Note: See clause 3 of these ToR and the appendix about the responsibility of the Group Audit Committee for oversight of the internal control framework relating to financial information, reporting and disclosure.

The Group People & Remuneration Committee also has oversight of the Group remuneration framework (including the consequence management framework), which forms part of the RMF. Relevant matters arising and discussed by that Committee are to be referred to the Risk & Compliance Committee for information: Procedural Rules clause 6.3a.

- b.** Review of reports evaluating the adequacy and effectiveness of the RMF.

Note: The reports include internal audit reports. The RMF includes the Group remuneration framework (including the consequence management framework).

- c.** Oversight of the effectiveness of the RMF at a Group level, including that management has identified all material risks and has appropriate controls and adequate monitoring systems in place for managing material risks consistent with risk management strategies and operating within the risk appetite statements set by the Group Boards, and that management is otherwise complying with the RMF. This includes review of reports from management and receipt of assurances.

- d.** Review and recommendation to the Board of changes to the RMF, including the Risk Management Policy, the Risk Appetite Framework, the Risk Appetite Statement, the Risk Management Strategy and other policies comprising the RMF. However, this does not apply if the changes have been approved at a joint Boards' policy discussion for recommendation to the Board. In addition, advising the Board on the overall current and future risk appetite and risk management strategy.

Note: This does not include components of the RMF which are specific to and the responsibility of subsidiaries: See clause 3 of these ToR and the appendix. For example, an RSE licensee risk appetite statement.

It does not include components that are the responsibility of other Committees. See clause 3 of these ToR and the appendix. For example, the Group Audit Committee is responsible for the whistle-blower policy and the Group People & Remuneration Committee is responsible for the Group remuneration framework (including the consequence management framework).

- e.** Review of the Group's risk profile and material risk categories for consistency with the risk appetite statements, strategic objectives and business plan, and review of management's assessment and prioritisation of risks. This includes advising the Board on the Group's overall current and future risk appetite and risk management strategy.

Oversight, review and monitoring

- f.** Review of reports from management about material risks and new and emerging sources of risk, legislative or regulatory initiatives and changes, organisational change and major business

initiatives and the related risks and the controls and mitigation measures management has put in place to deal with these risks.

Note: This includes reports on material risks identified in divisional risk profiles.

- g.** Monitoring that appropriate due diligence is undertaken in respect of material projects.

Example: Major acquisitions.

- h.** Review of reports from management about any material incident involving fraud or a breakdown of risk controls and the insights gained.
- i.** Review of reports from management about any significant incidents, themes and trends under the Whistleblowing Policy and any matters referred from the Group Audit Committee.

Note: See clause 3 of these ToR and the appendix in relation to the Group Audit Committee responsibilities in relation to whistleblowing.

- j.** Oversight of operational responsibility for business continuity to confirm the ongoing ability to meet financial, regulatory and service obligations.
- k.** Review of trend information on open findings for internal audit and external audit and any issues referred from the Group Audit Committee.

Note: See clause 3 of these ToR and the appendix in relation to the Group Audit Committee responsibilities for review of internal audit and external audit reports and monitoring open findings.

Management oversight

- l.** Review and constructive challenge of senior management's proposals and decisions that have been brought to the attention of the Committee regarding aspects of risk management arising from the activities that may have a material impact on the Group.
- m.** Provision of input to the Group People & Remuneration Committee about the performance of individuals and categories of individuals for which the Group People & Remuneration Committee makes recommendations to the Board.

Note: This includes Senior Executives.

- n.** In relation to the Chief Risk Officer (CRO), receipt of the objectives of the CRO for noting, review of the CRO's performance and making sure that the CRO has unfettered access to the Board as well as this Committee.
- o.** Endorsement and oversight of the appointment or removal of the CRO and monitoring that any reasons for the removal of the CRO are discussed with APRA as soon as practicable and no more than 10 business days after the Committee's endorsement is given.
- p.** Review of and input into the internal audit plan in relation to the RMF.

Note: See clause 2.3(h) of these ToR in relation to the audit plan and the regulatory compliance framework. See clause 3 of these ToR and the appendix about the Group Audit Committee responsibility for approving the internal audit plan.

2.3. Regulatory compliance

Regulatory compliance framework

- a.** Oversight of the maintenance by management of an appropriate internal controls and issues management monitoring and reporting framework, for compliance of Group activities with regulatory requirements and adopted industry standards.

Note: See clause 3 of these ToR and the appendix about the responsibility of the Group Audit Committee for oversight of the internal control framework relating to financial information, reporting and disclosure.

- b.** Review of internal audit reports evaluating the adequacy and effectiveness of Group compliance frameworks.

Note: See clause 3 of these ToR and the appendix in relation to the Group Audit Committee responsibilities in relation to internal audit.

- c.** Oversight through the review of reports and receipt of assurances to confirm appropriate controls are in place to:

- Monitor and confirm compliance by the Group with regulatory obligations and delegations.
- Identify and implement legislative and regulatory changes that will affect the Group.
- Identify and escalate issues, incidents and breaches of regulatory requirements by the Group and make sure that significant breaches are reported to the relevant regulators.
- Monitor and address the activities of authorised representatives and employee representatives within the advice businesses.

- d.** Review and recommendation to the Board of any new policies or changes to existing policies relating to responsibilities allocated to this Committee that are required to be approved by the Board. However, this does not apply if the policy or changes have been approved at a joint Boards' policy discussion for recommendation to the Board.

Note: See clause 3 of these ToR and the appendix in relation to RSE licensees and RE roles.

Example of policies approved by the Board: Fraud policy.

Oversight, review and monitoring

- e.** Oversight through review of reports and receipt of assurances of regulatory compliance, including that management is following the compliance management framework, so that the Group's activities comply with regulatory requirements and adopted industry standards.

Examples:

- Financial services and credit laws (but see clause 3 of these ToR and the appendix about other Group entity obligations in relation to compliance)
- Prudential requirements (but see clause 3 of these ToR and the appendix about other Group entity obligations in relation to compliance)
- Privacy laws

- Anti-money laundering and counter-terrorism financing laws
 - ASX Listing Rules
- f. Review of reports and receipt of assurances that issues, incidents and breaches are appropriately identified, managed, escalated, reported and rectified in accordance with the relevant policies.
- g. Review of, and provision of feedback as appropriate on reports from management about each of the following.
- Material regulatory correspondence for the Group.
 - Risk and compliance matters material to the Group.
 - Any issues arising in the RSE licensee risk management declaration process, including any qualifications, together with receipt of assurances that any issues giving rise to qualifications are being addressed in a timely manner.
 - Summary information about Group breaches and incidents, including trend reporting and information about any material breaches and incidents, including all breaches that require reporting to a regulator and, on request, specific rectification plans.
 - Summary information about Group complaints, including trend reporting and any material issues.
- h. Review of and input into the internal audit plan in relation to the regulatory compliance framework.
- Note: See clause 2.2(p) of these ToR in relation to the audit plan and the RMF. See clause 3 of these ToR and the appendix about the Group Audit Committee responsibility for approving the internal audit plan.

2.4. Outsourcing services

- a. For outsourced services provided to the Group (excluding the RSE licensee and RE subsidiaries), monitoring of the provision of those services through reports and receipt of assurances from management, to confirm the services are provided in accordance with the terms of the contracts, including service levels, and in accordance with regulatory requirements, including on arms' length terms where required.
- b. For outsourced services provided to the RSE licensee and RE subsidiaries, receipt of assurances from management that there are no issues that may have a material impact on the Group, or if there are material issues, receipt of assurances that they are being addressed in a timely manner.

Note: See clause 3 of these ToR and the appendix about the Group Audit Committee responsibility for oversight of internal and external audit.

3. Exclusions and restrictions from scope

For clarity about matters that are related to the responsibilities of this Committee but are the responsibility of another Committee of the Board or a Committee of another Group entity, exclusions and restrictions are set out in the appendix.

4. Review and approval

This document must be reviewed annually by the Document Owner. The Board must review this document within at least 3 years from the date it was last reviewed. Any material changes must be approved by the Board. Non-material amendments may be approved by the Document Owner.

Appendix: Exclusions and restrictions from Group Risk & Compliance Committee scope

1. Matters for which another Board Committee is responsible

The Committee is not responsible for matters for which responsibility has been allocated to another Board Committee, except for any component for which responsibility is specifically set out in these ToR.

1.1 This includes the following which are the responsibility of the Group Audit Committee.

- a. Oversight of the internal control framework relating to financial information, reporting and disclosure.
- b. Oversight and review of financial reports.
- c. Oversight of regulatory reporting.
- d. Monitoring of Commonwealth taxation laws and directions from the Australian Tax Office.
- e. Oversight and review of the Whistleblowing Policy and its operation.
- f. The following matters relating to the internal auditor and internal audit function.
 - Recommendations to the Board for the appointment and removal of the internal auditor.
 - Oversight of the internal auditor.
 - Oversight of the internal audit function.
 - Approval and oversight of the internal audit plan.
 - Review of internal audit reports and monitoring of open findings, except to the extent expressly stated in this document, or unless referred by the Group Audit Committee or Chief Risk Officer.

Note: See clause 2.2(b) of these ToR in relation to internal audit reports about the RMF and clause 2.3(b) about internal audit reports in relation to compliance.

- g. The following matters relating to the external auditor.
 - Oversight and review of the independence of external auditors.
 - Recommendations to the Board for the appointment and removal of the Group external auditors.
 - Review of external audit reports and monitoring open findings.

1.2 This includes the following which are the responsibility of the Group People & Remuneration Committee.

- a. The Group remuneration framework changes. This framework includes the consequence management framework.

2. Matters for which a Committee of another Group entity is responsible

The Committee is not responsible for matters for which responsibility has been allocated to another Committee, except for any component for which responsibility is specifically set out in these ToR.

Examples:

- Review of Group policies that apply to a RSE licensee or RE from the perspective of the RSE licensee and RE. Each RSE licensee and RE is responsible for review of Group policies and provision of feedback on any changes needed from a RSE licensee or RE perspective.
- Review of RSE licensee or RE specific policies eg RSE licensee risk appetite statement.
- Oversight of RSE licensee and RE outsourced services. This is the responsibility of the relevant ARE Risk & Compliance Committee (and in relation to internal audit, the relevant RSE licensee Audit Committee).

However, the Committee has an oversight role in relation to risk and compliance matters relevant to a RSE licensee or RE which may impact the Company, another of its subsidiaries or the Group. This includes through review of reports from management and receipt of assurances.