

Audit and Enterprise Risk Management Committee

- I. **Definitions.** For purposes of this charter, the following capitalized terms will have the defined meaning set forth below:
- (A) “Commission” means the commission of seven members responsible for managing the South Carolina Retirement System Investment Commission, as specified in S.C. Code of Laws Ann. §9-16-315.
 - (B) “Management” means the South Carolina Retirement System Investment Commission staff members in senior or executive roles, or who may be designated as such on the organizational chart of the agency.
 - (C) “South Carolina Retirement System Investment Commission” or “RSIC” means the agency established by South Carolina law for the purpose of investing and managing all assets held in trust for the participants and beneficiaries of the state’s five separate defined benefit plans.
- II. **Purpose of the Committee.** The Commission has established an Audit and Enterprise Risk Management Committee to oversee the audit, enterprise risk management, and compliance functions, as well as the internal control environment and any engagements with external audit firms.
- III. **Primary Responsibilities:**
- (A) Overseeing the audit, enterprise risk management, compliance and control activities of the RSIC, including without limitation the development and execution by management of strategies to mitigate risks
 - (B) Overseeing the risk assessment process conducted by the Enterprise Risk Management and Audit functions.
 - (C) Approving, periodically, the audit plans of the Audit functions.
 - (D) Assessing, and providing oversight to management relating to the identification and evaluation, of major strategic, operational, regulatory, information and external risks inherent in the business of the RSIC (the “Risks”) and the control processes with respect to such risks.
 - (E) Reviewing, periodically, the findings of audits and approving any necessary follow up items or recommendations to be conducted by auditors.
 - (F) Monitoring the implementation of any approved follow up items or recommendations.
 - (G) Overseeing the process for monitoring compliance with RSIC policies and applicable laws, including but not limited to: ethics requirements and standards of conduct.

IV. Composition

- (A) The Audit and Enterprise Risk Management Committee will consist of three members of the Commission.
- (B) The Commission will appoint Committee members in accordance with the *Committees Policy* of the Commission.
- (C) The Committee Chair will be selected by vote of the Committee.
- (D) The Executive Director of the Public Employee Benefit Authority, serving as a Commission member *ex officio*, will be a member of the Commission's Audit and Enterprise Risk Management Committee.

V. Meetings

- (A) The Audit and Enterprise Risk Management Committee will meet at least four times a year and has the authority to convene additional meetings as circumstances require, so long as notice is provided as appropriate and in accordance with the South Carolina Freedom of Information Act ("FOIA").
- (B) In accordance with FOIA, the Committee must give written public notice of its regular meetings at the beginning of each calendar year. The notice must include the dates, times and places of the meetings.
- (C) The annual schedule may be modified by the Audit and Enterprise Risk Management Committee as necessary.
- (D) All Committee members should expect to attend each meeting in person or via conference call or video-conference (if available).
- (E) The Committee may invite members of Management, auditors, and/or others to attend meetings and to provide pertinent information, as necessary.
- (F) In the event a Commission member who is not a member of the Audit and Enterprise Risk Management Committee attends a Committee meeting, she or he will not have voting rights and will not participate in discussions of the Audit and Enterprise Risk Management Committee unless asked and if such participation would not create a quorum of the Commission.
- (G) Meeting agendas, notices, and minutes will be prepared and provided in accordance with the *Committees Policy* of the Commission, FOIA and all other applicable laws.

VI. Authority: The Committee is empowered to:

- (A) Retain independent counsel, accountants, or other specialists to advise the Committee.

- (B) Seek any information it requires from RSIC's staff, all of whom are directed to cooperate with the Committee's requests, or the requests of external parties working for the Committee.
- (C) Meet with the Commission, RSIC staff, auditors, outside counsel and/or specialists, as necessary.
- (D) Appoint (or dismiss), compensate, and oversee the work of the Audit and Enterprise Risk Management Staff in accordance with RSIC's personnel policies and applicable state law, and oversee the work of the Audit, Enterprise Risk Management, and Compliance functions.
- (E) Ensure that contracts with service providers for work approved by the Committee contain appropriate record-keeping and audit language.
- (F) Communicate with the Commission regarding the RSIC's policies and applicable laws, including ethics requirements and standards of conduct, as each relates to internal control, and all auditing activities.
- (G) The Committee may authorize investigations into any matters within its scope of responsibility, and in accordance with any policies related thereto.

VII. **Detailed Listing of Responsibilities:** The Committee will carry out the following responsibilities:

- (A) **Internal Control** Function. Oversee the policy and framework for an effective system of internal controls, and provide the mechanisms for periodic assessment of the system of internal controls.
- (B) **Staff Functions**
 - (1) Assure and maintain the independence of the audit process. The Audit and Enterprise Risk Management Staff ("A & ERM Staff") will report to the Audit and Enterprise Risk Management Committee. For administrative purposes, such as approving leave requests, the A & ERM Staff will report to the Chief Executive Officer ("CEO") (dotted line). The CEO will also provide oversight related to internal staff matters and otherwise to the extent that such oversight will not interfere with the independence of the A & ERM Staff.
 - (2) The Committee will evaluate the performance of the A & ERM Staff at least annually. The Committee may confer with the CEO, CIO and other members of Management as deemed appropriate by the Committee. Discussions regarding the performance of the A & ERM Staff may be held in executive session in accordance with state law.

(C) Audit Functions

- (1) Ensure that auditors have access to all documents, information, and systems throughout the RSIC.
- (2) Review periodically with Management and the A & ERM Staff the charter, objectives, plans, activities, staffing, qualifications, and organizational structure of the audit and enterprise risk management functions.
- (3) Receive and review all audit reports and management letters that are related to the support of external audit opinions or are integral to the system of internal controls.
- (4) Review any external auditors' proposed audit or agreed-upon-procedures scope and approach, including coordination of effort with A & ERM staff.
- (5) Review the performance of any external auditors, and exercise final approval on the appointment, retention or discharge of these auditors.
- (6) Pre-approve the scope of all services to be performed by any external auditor.
- (7) Review and approve the reports of the audits and/or agreed-upon-procedures.
- (8) Provide a forum for follow up of findings from the audit reports or agreed-upon-procedures.

(D) Enterprise Risk Management and Compliance Functions

- (1) Assure competency and objectivity in the enterprise risk management process.
- (2) Review and evaluate management's identification of all major Risks to the business and their relative weight;
- (3) Assess the adequacy of management's Risk assessment, its plan for Risk control or mitigation, and disclosure;
- (4) Review and evaluate management's development and execution of certain risk mitigation strategies and opportunities proposed by management and selected by the Committee for further review; and
- (5) Review, assess and discuss with RSIC Legal, the Chief Executive Officer and the A & ERM Staff: (i) any significant enterprise risks or exposures, (ii) the steps management has taken to minimize such enterprise risks or exposures; and (iii) the RSIC's underlying policies with respect to risk assessment and enterprise risk management.

- (6) Provide the policy and framework for compliance with applicable law and provide the mechanisms for periodic assessment of compliance, including compliance by named and other service providers, consultants, and investment managers.
 - (7) Review the findings of any examinations by regulatory agencies and any auditor observations.
 - (8) Review the process for communicating applicable ethics requirements and standards of conduct to the Commission and RSIC staff, and for monitoring compliance therewith.
 - (9) Obtain regular updates from Management, the A & ERM Staff, and/or legal counsel regarding compliance matters.
- (E) **Reporting Responsibilities** Regularly report to the Commission about Committee activities, issues, and related recommendations.
- (F) **Other Responsibilities**
- (1) Perform other activities related to this charter as requested by the Commission.
 - (2) Review and assess the adequacy of the Committee charter at least every three years, requesting Commission approval for proposed changes.
 - (3) Confirm annually that all responsibilities outlined in this charter have been carried out.
 - (4) Evaluate the Committee's and individual Committee member's performance on a regular basis.
 - (5) Provide an appropriate and confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting, cases of fraud, or other material breaches of internal control to the Committee.