



**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

ACN 601 406 419

**RISK MANAGEMENT POLICY**

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Perpetual 

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

## RISK MANAGEMENT POLICY

### PURPOSE

The Company considers ongoing risk management to be a core component of the management of the Company. The Company's ability to identify and address risk is central to achieving its corporate objectives.

This Policy outlines the program implemented by the Company to support appropriate risk management within its systems and culture.

### DEFINITIONS

**ASX** means Australian Securities Exchange.

**Board** means the board of directors of the Company.

**Charter** means the charter of the Committee.

**Committee** means the Company's Audit and Risk Committee.

**Company** means Perpetual Equity Investment Company Limited ACN 601 406 419.

**Investment Manager** means Perpetual Investment Management Limited ACN 000 866 535.

**Perpetual Limited** ACN 000 431 827 means the parent company of the Investment Manager.

### RISK MANAGEMENT PROGRAM

- 1 The Company's risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.
- 2 The Company has appointed the Investment Manager to provide administrative support services which include risk management support.
- 3 The Risk Appetite Statement (the **RAS**) defines the amount of risk the Board is willing to take in the pursuit of the objectives of the Company and articulates the Board's position on risk to be taken into account in strategy setting. The RAS is required to be reviewed annually to ensure it remains fit for purpose.
- 4 The Board has established the Committee and defined its role and responsibilities and authority of the Committee to oversee the risk management program, while conferring the accountability on the Manager to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication between the Committee and the Investment Manager and review by the Committee of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.
- 5 In order to identify, assess and manage material business risks, the Company defines risk categories and prepares a risk profile in light of its strategy. This involves applying a disciplined process to risk identification, risk analysis and evaluation, risk treatment, risk monitoring and review and risk reporting.
- 6 Material risks facing the Company include:

#### *Outsourcing risk*

- (a) The Company has outsourced the following functions to service providers:
  - i. custody and administration;
  - ii. share registry; and

- iii. investment management and other administrative support services to the Manager.

Accordingly, risks associated with these activities are managed in accordance with the service providers' policies and procedures. The Board has oversight of the services provided. Monitoring and review of the registry services provider and custodian is undertaken by the Manager and reported to the Board.

#### *Market, economic and investment risks*

- (b) The Board is primarily responsible for recognising and managing market related risks. By its nature as a listed investment company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to manage this investment risk through its investment strategy which provides the ability to invest across countries, industries and various sectors of the market.
- (c) The Investment Manager is required to act in accordance with the management agreement and reports to the Board quarterly on the portfolio's performance, material actions of the Investment Manager during that quarter and an explanation of the Investment Manager's material proposed actions for the upcoming quarter. In addition, the Investment Manager is also required to provide sufficient information to enable the Company to comply with its constitution and its reporting obligations under the Corporations Act 2001 and ASX Listing Rules, and report to the Board quarterly as to any non-compliance with the investment strategy outlined in the management agreement.
- (d) In assessing the Company's risk tolerance, the Board considers any instance which materially affects the Company's Net Tangible Asset (NTA) backing announcements released to the ASX.

#### *Administrative risk*

- (e) Representatives of the Investment Manager will provide a certification to the Board in respect of each half-year and full-year financial period that:
  - i. in their opinion, the financial records of the Company have been properly maintained and that the financial statements and notes for the reporting period comply with accounting standards and the Corporations Regulations 2001 and give a true and fair view of the financial position and performance of the Company; and
  - ii. their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### *Economic and sustainability risks*

- (f) The Board is responsible for approving the Company's disclosure in relation to any material exposure to economic and sustainability risks which impact the ability of the Company to continue operating at a sustainable level over the long term.

## **OVERSIGHT AND MANAGEMENT**

### **BOARD**

- 7 The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities.
- 8 The Board has delegated responsibility for reviewing the Company's risk profile including material business risks and reporting on the operation of the internal control system to the Audit and Risk Committee. However, the Audit and Risk Committee or the Manager may also refer particular risk management issues to the Board for final consideration and direction.
- 9 The Board will review the effectiveness of the Company's risk management and internal control system annually.

- 10 The Board retains oversight and responsibility for setting the Company's risk appetite. The Board regularly monitors the services of the Manager against the Company's risk appetite.

## **AUDIT AND RISK COMMITTEE**

- 11 The oversight of the Company's risk management program has been conferred upon the Audit and Risk Committee. The Committee is responsible for monitoring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board on these matters. The specific responsibilities of the Committee are set out in its Charter.

## **INVESTMENT MANAGER**

- 12 The Investment Manager is accountable for designing and implementing the risk management process through which material risks, obligations and key controls for the Company are identified, analysed, evaluated, managed, monitored, reviewed and reported on. The Manager is subject to Perpetual Limited's Risk Management Framework (the Framework) which is aligned with International Standard ISO 31000:2018 'Risk Management – Guidelines'. The risk management principles in the Framework include:
- (a) defining risks in terms of specific risk categories considered material to the Company;
  - (b) applying a disciplined process to risk identification, risk analysis, risk evaluation, risk treatment, risk review and monitoring and risk reporting; and
  - (c) using consistent risk assessment rating scales and criteria throughout the risk assessment process.
- 13 The Framework incorporates supporting frameworks and programs that are relevant to the Company including:
- (a) Risk and Control Self-Assessment Program – sets out the primary approach used to identify, assess, manage and report on the key risks as relevant to the Company;
  - (b) Business Continuity Program – used to counter any interruptions to business activities and protect critical business processes from the effects of major failures or disasters;
  - (c) Information Security Program – defines a structure for managing information security, its components and their interrelationships to protect from any adverse impacts arising from failures of confidentiality, integrity and availability of information and systems as relevant; and
  - (d) Issues, Breaches and Complaints Management – the processes of identification, management, and reporting on issues, breaches and complaints relevant to the Company.

## **REVIEW OF RISK MANAGEMENT PROGRAM**

- 14 The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.
- 15 The division of responsibility between the Board, the Investment Manager and the Committee aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The Board is regularly informed of material risk management issues and actions through the reporting obligations of the Manager and the Committee. This is supplemented by the evaluation of the performance of the risk management program.