

EXTERNAL AUDITOR INDEPENDENCE POLICY

Perpetual

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED EXTERNAL AUDITOR INDEPENDENCE POLICY

## **PURPOSE OF THIS POLICY**

The Company recognises that external audit is a form of assurance to the Company's board of directors (Board) on the integrity of the Company's financial reporting. Accordingly, the Company is committed to overseeing that its External Auditor is, and is perceived to be, independent of the Company and can exercise objective and impartial judgment in respect of issues within the scope of their engagement.

This policy describes the services that may be provided by the External Auditor whilst maintaining high standards of corporate governance with respect to auditor independence.

## **SCOPE**

This policy applies whenever the Company appoints an external auditor for its financial statements, and for all other services provided by the external auditor to the Company.

This policy should be read in conjunction with the ARC charter.

## **DEFINITIONS**

ARC means the Company's Audit and Risk Committee.

Company means Perpetual Equity Investment Company Limited (ACN 601 406 419).

**External Auditor** means the external auditor appointed to audit the financial statements of the Company.

Manager means Perpetual Investment Management Limited (ACN 000 866 535).

Personnel means directors (executive or non-executive), officers or employees of the Company.

## APPOINTMENT OF AN EXTERNAL AUDITOR

- 1. The Board has the power to call an audit tender at any time.
- 2. The Company will consider an audit firm's capability to discharge the External Auditor's statutory and professional responsibilities, when appointing an external auditor.
- 3. The ARC will oversee the tender process to appoint an External Auditor for the Company. The ARC will subsequently make a recommendation to the Board. Where a member of the ARC has a conflict of interest, they must declare their interest and recuse themselves from, and cease attendance and participation in, any further discussions on the matter.
- 4. The lead audit partner of the External Auditor of the Company must be rotated at least every five years. There must be a period of at least five years before the partner can again be involved in an audit of the Company.

## PERFORMANCE OF AN EXTERNAL AUDITOR

- 5. An External Auditor's fees and performance must be reviewed annually, with the results of such review reported to the ARC and Board.
- 6. Where an External Auditor's performance has been assessed to be unsatisfactory, the ARC must make recommendations to the Board on the course of action including:

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- 6.1. performance meetings with the external audit firm to resolve the performance issues;
- 6.2. replacement of members within the external audit team; and/or
- 6.3. commencement of an audit tender.

## **EXTERNAL AUDITOR INDEPENDENCE**

- 7. On an annual basis, the ARC must form an opinion on whether the External Auditor engaged in the audit of the Company is sufficiently independent to be capable of exercising objective and impartial judgment. To form its opinion, the ARC must receive:
  - 7.1. a declaration from the External Auditor, addressed to the ARC and Board, that there have been no contraventions of auditor independence requirements under the *Corporations Act* 2001 (Cth) and applicable codes of the professional accounting bodies in relation to the audit or review; and
  - 7.2. an attestation from the External Auditor outlining:
    - any financial relationships between the Company and the audit firm or its partners and employees on the audit engagement team; and
    - details of the non-audit services provided to the Company by the audit firm over the past year (including the fees paid).

#### **AUDIT AND AUDIT-RELATED SERVICES**

- 8. The ARC is responsible for reviewing the scope and terms of the audit and audit fee and making recommendations to the Board for approval.
- The following is an exhaustive list of "Audit Services" and "Audit-Related Services":
  - 9.1. Statutory audits, financial statement audits or interim reviews and other procedures required to be performed to enable the external auditor to form an audit / review opinion on the financial statements of the Company.
  - 9.2. Reports to management, the ARC or the Board arising from the conduct of the audits.
  - 9.3. Real time audit of the accounting treatment or disclosure requirements of proposed transactions or events and/or the potential impact of final or proposed rules, standards, or interpretations by regulatory or standard setting bodies.
  - 9.4. Attestation reports on the Manager's assessment of internal controls.
  - 9.5. Other regulatory audits or reviews and related reporting obligations as required or recommended according to Australian auditing standards or practice or both.
- 10. Any services which fall outside of the scope of "Audit Services" and "Audit-Related Services" are to be regarded as "Non-Audit Services" which are described in further detail below.
- 11. The ARC is responsible for approving the annual proposal of audit fees for the upcoming financial year and actual audit fees incurred, subject to any other delegation approved by the Board.

## **NON-AUDIT SERVICES**

- 12. The External Auditor will be permitted to provide non-audit Services which are not, and are not perceived to be, in conflict with the role as External Auditor, and which do not impair the independence of the audit role.
- 13. The following services may be provided by the External Auditor:
  - 13.1. Financial and/or tax-related due diligence and transaction services pertaining to business acquisitions or dispositions (including advice on post-transaction services and auditors of completion accounts).
  - 13.2. Risk management advisory services in the assessment and testing of security controls

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under a recognised assurance framework.

- 13.3. IT services in reviewing operational and system controls.
- 13.4. Review of tax compliance procedures and tax risk management, other than in connection with the provision of audit services
- 13.5. The provision of general news, training and information regarding statutory, regulatory or administrative accounting and taxation development.
- 13.6. The provision of independent opinions containing interpretations of accounting pronouncements and taxation legislation as it applies to specific transactions exercised or proposed by the Company, whether those opinions are complementary to the auditor's examination of the relevant financial statements.
- 13.7. Acting as scrutineer at general meetings of the Company.
- 14. If the External Auditor is required to provide non-audit services not specifically addressed in this policy, consultation with and approval from the ARC Chair is required to ensure that the services are not, and are not perceived to be, in conflict with the role of the External Auditor and do not impair or appear to impair the independence of the audit role.
- 15. Prior to appointing the Company's External Auditor to provide non-audit services, approval must be obtained as set out below. Significant items of work must be put out for tender.

Estimated Fees (per 12-month period)	Approval Required from:
Greater than \$100,000	Board
Less than \$100,000	ARC Chair

## PROHIBITED NON-AUDIT SERVICES

- 16. The External Auditor must not provide services that impair, or appear to impair, the independence of their audit role (irrespective of materiality of such outcomes on the financial statements or audit). Generally, these are services where the External Auditor:
  - 16.1. participates in activities that are normally undertaken by management.
  - 16.2. is remunerated by way of success fees, contingent fees, or commissions.
  - 16.3. acts in an advocacy role for the Company.
  - 16.4. may be required to audit their own work.
- 17. The following services are prohibited and cannot be provided by the External Auditor to the Company:
  - 17.1. Book-keeping or other services relating to the accounting records or financial statements.
  - 17.2. Financial information systems design and implementation.
  - 17.3. Valuation or appraisal services.
  - 17.4. Actuarial services.
  - 17.5. Internal audit services.
  - 17.6. Management functions, including acting as an employee and secondment arrangements, where the secondee performs any decision-making, supervisory or ongoing monitoring functions.
  - 17.7. Human resource and recruitment services.
  - 17.8. Broker-dealer, investment adviser or investment banking services.
  - 17.9. Legal services.
  - 17.10. Providing expert opinion or other expert service for the purpose of advocating the interests

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- of the Company in litigation or in regulatory or administrative proceedings or investigations.
- 17.11. The marketing, planning or positively opining on the tax treatment of potential transactions.
- 17.12. Tax services to a person in a financial reporting oversight role.
- 17.13. Secondments of any professional staff to the Company.
- 17.14. Other services determined by the External Auditor to be a non-audit service prohibited under law, regulation or applicable code of ethics.

## **EMPLOYMENT AND SECONDMENTS**

- 18. A partner of the External Auditor firm engaged to conduct the Company's statutory audits must not be employed by the Company or appointed as a director of the Company within a period of three years after they ceased to be involved in the audit of the Company.
- 19. Any employment (or potential employment) by the Company of a member of the external audit team, other than the partner, should be discussed with the audit firm to ensure independence is maintained.
- 20. Any secondment to the Company of any professional staff of the External Auditor is prohibited.

## **REVIEW CYCLE**

21. This policy will be reviewed at least once every two years.

## **RELATED POLICIES**

Audit and Risk Committee Charter

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