



**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

ACN 601 406 419

**AUDIT AND RISK COMMITTEE  
CHARTER**

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Perpetual 

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

## AUDIT AND RISK COMMITTEE CHARTER

### ROLES

- 1 The Audit and Risk Committee (**Committee**) has been established by the board of directors (**Board**) of the Company. The role of the Committee is to:
  - (a) assist the Board to make all necessary declarations in the financial reporting process, including the system of internal control relating to all matters affecting the Company's financial performance, and the audit process;
  - (b) assist the Board in monitoring compliance with laws and regulations and the Company's Code of Conduct;
  - (c) review material breaches of the Company's Speak Up Policy and Anti-bribery and Corruption policy (contained in the Company's Code of Conduct);
  - (d) assist the Board to adopt and apply appropriate ethical standards in relation to the management of the Company and the conduct of its business;
  - (e) assist the Board to adopt and apply appropriate environmental, social and governance standards in relation to the management of the Company and the conduct of its business;
  - (f) review and supervise the Company's risk management framework; and
  - (g) review the adequacy of the Company's insurance policies.

### DEFINITIONS

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

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

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

### AUTHORITY

- 2 The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:
  - (a) retain outside counsel, accountants or other experts to advise the Committee or assist in the conduct of an investigation;
  - (b) seek any information it requires from Personnel (all of whom are directed to cooperate with the Committee's requests) or service providers; and
  - (c) meet with Personnel, internal and external auditors, or outside counsel, as necessary and without management of the Company present.

### SPECIFIC RESPONSIBILITIES

- 3 To fulfil its responsibilities to the Board, the Committee will:

## FINANCIAL STATEMENTS

- 3.1 review the half-yearly and yearly financial statements and consider whether they are complete, consistent with information known to the Committee, reflect appropriate accounting policies and principles and otherwise provide a true and fair view of the financial position and performance of the Company;
- 3.2 consider in connection with the Company's half-yearly and yearly financial statements draft letters of representation to the Board in respect of financial reporting and the adequacy and effectiveness of the Company's risk management, internal compliance and control systems and the process and evidence adopted to satisfy those conclusions;
- 3.3 review the financial sections of the Company's Annual Report and related regulatory filings before release and consider the accuracy and completeness of the information;
- 3.4 review with the Investment Manager and the external auditors the results of the audit;
- 3.5 review the draft certification, in respect of each half-year and full-year financial period, from the Group Chief Operating Officer, Perpetual Investment Management Limited and the Chief Operating Officer Australia, Perpetual Investment Management Limited and (or their equivalent) that:
  - 3.5.1 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
  - 3.5.2 their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively;

### Net tangible asset backing

- 3.6 review the effectiveness of the process to release the Company's Net Tangible Asset backing announcements to the Australian Securities Exchange (**ASX**);

## INTERNAL CONTROLS

- 3.7 oversee the Investment Manager's design and implementation of the risk management process through which opportunities, material risks, obligations and key controls for the Company are identified, analysed, evaluated, managed, monitored, reviewed and reported on;
- 3.8 review the effectiveness of the Company's internal controls regarding all matters affecting the Company's financial performance and financial reporting, including information technology security and control;
- 3.9 review the scope of internal (if appointed) and external auditors' review of internal control, review reports on significant findings and recommendations, together with the Investment Manager's responses, and recommend changes from time to time as appropriate;

## INTERNAL AUDIT

- 3.10 review with the Investment Manager and the internal auditor (if appointed) the plans and activities of the internal auditor;
- 3.11 meet with the internal auditor (if appointed) to review reports and monitor the Investment Manager's responses;
- 3.12 review the scope and adequacy of the internal audit work plan;
- 3.13 meet separately, at least once a year, to discuss any matters that the Committee or internal auditor (if appointed) believes should be discussed privately;
- 3.14 review the objectivity and performance of the internal audit activity;
- 3.15 monitor that there are no unjustified restrictions or limitations placed on the internal audit

function, and review and concur in the appointment, replacement or dismissal of the internal auditor (if appointed);

#### **EXTERNAL AUDIT**

- 3.16 establish procedures for the selection, appointment and removal of the external auditor and for the rotation of external audit engagement partners;
- 3.17 review the external auditors' proposed audit scope and approach;
- 3.18 meet with the external auditor to review reports, and meet separately, at least once a year, to discuss in that regard any matters that the Committee or auditors believe should be discussed privately;
- 3.19 establish policies as appropriate in regard to the independence, integrity and performance of the external auditor;
- 3.20 review and confirm the independence of the external auditor by rotating audit partners and obtaining statements from the auditor concerning any relationships between the auditor and the Company, including non-audit services;
- 3.21 for the purpose of removing or appointing external auditors, review the performance of them, including their proposed fees, and if appropriate conduct a tender of the audit. Any subsequent recommendation following the tender for the appointment of an external auditor will be put to the Board and then if a change is approved it will be put forward to shareholders for their approval;
- 3.22 review any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;

#### **COMPLIANCE**

- 3.23 consider the work plan for Company compliance activities;
- 3.24 obtain regular updates from the Investment Manager regarding compliance matters;
- 3.25 review the effectiveness of the system for monitoring compliance with laws and regulations and the results of any investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- 3.26 review and assess the process supporting external reporting;
- 3.27 review the findings of any examinations by regulatory agencies and authorities;
- 3.28 review the process for communicating the Code of Conduct to Personnel and for monitoring compliance with that Code;

#### **RISK MANAGEMENT**

- 3.29 consider with the Investment Manager the overall risk management framework and annually review its effectiveness to satisfy itself that it continues to be sound;
- 3.30 review the risk profile and keep the Board informed of all material business risks;
- 3.31 review the risk disclosures in the Annual Report and Corporate Governance Statement;
- 3.32 consider and monitor with the Investment Manager the risk appetite within which the Company should operate and provide a recommendation to the Board regarding the same;
- 3.33 review with the Investment Manager the adequacy of the Company's systems for assessing, identifying, managing, monitoring and reporting on the key risks to the Company;
- 3.34 obtain reports from the Investment Manager on the status of any key risk exposures or incidents;
- 3.35 review the adequacy of the Company's process for managing risk and provide a recommendation to the Board regarding the same;

- 3.36 review any incident involving fraud, cybersecurity or other breakdown of the Company's service providers' internal controls and make recommendations to the Board as necessary;
- 3.37 review any incident involving any breakdown of the Company's risk management framework and make recommendations to the Board as necessary;
- 3.38 review the Company's insurance program having regard to the Company's business and the insurable risks associated with its business and inform the Board regarding the same;
- 3.39 review whether the Company has any material exposure to any financial and non-financial risks (including, but not limited to economic, environmental and social sustainability risks) and if so, oversee the development of strategies to manage such risks to present to the Board;

#### **REPORTING RESPONSIBILITIES**

- 3.40 regularly report to the Board about Committee activities, issues, and related recommendations. Such report should include the results of the Committee's:
  - 3.40.1 assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for the needs of the Company's shareholders;
  - 3.40.2 assessment of the Investment Manager's processes which supports external reporting;
  - 3.40.3 assessment of the Company's corporate reporting processes;
  - 3.40.4 assessment of the appropriateness of the accounting choices made by the Investment Manager in preparing the Company's financial statements;
  - 3.40.5 procedures for the selection and appointment of the Company's external auditor and for the rotation of external audit engagement partners;
  - 3.40.6 recommendations for the appointment or, if necessary, the removal of the external auditor;
  - 3.40.7 assessment of the performance and independence of the Company's external auditor. Where the external auditor provides non-audit services, the report should also state whether the Committee is satisfied that provision of those services has not compromised the auditor's independence;
  - 3.40.8 assessment of the performance and objectivity of the Company's internal audit function (if appointed);
  - 3.40.9 the results of the Committee's review of the Company's risk management framework;
  - 3.40.10 recommendations for the appointment or, if necessary, the dismissal of the head of internal audit (if appointed);
- 3.41 provide an open avenue of communication between internal audit, the external auditors and the Board. For the purpose of supporting the independence of their function, the external auditor and the internal auditor (if appointed) will have a direct line of reporting access to the Committee;
- 3.42 review disclosures in the Annual Report describing the Committee's composition, responsibilities and how they were discharged and any other information required by law or the ASX Listing Rules to be disclosed in the Annual Report about the Committee;
- 3.43 review any other reports the Company issues that relate to Committee responsibilities;

#### **RELATED PARTY TRANSACTIONS**

- 3.44 review and monitor related party transactions and investments involving the Company and its directors including maintaining a register of related party contracts which is reviewed at least annually;

- 3.45 review the adequacy of the Company's, and its subsidiaries' (if any), insurance policies;
- 3.46 review and approve all transactions in which the Company is a participant; and in which any parties related to the Company (including its executive and non-executive officers and directors, beneficial owners of more than 5 percent of the Company's shares, immediate family members of the foregoing persons and any other persons whom the Board determines maybe considered related parties of the Company) has or will have a direct or indirect material interest;
- 3.47 approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its shareholders, after taking into account all available facts and circumstances as the Committee determines in good faith to be necessary;
- 3.48 oversee that those related party transactions are subject to shareholder approval to the extent required by the ASX Listing Rules;

#### **OTHER RESPONSIBILITIES**

- 3.49 review the adequacy of external reporting by the Company to meet the needs of shareholders;
- 3.50 perform other activities related to this Charter as requested by the Board;
- 3.51 institute and oversee special investigations as needed;
- 3.52 regularly confirm that all responsibilities outlined in this Charter have been carried out; and
- 3.53 evaluate the Committee's and individual members' performance on a regular basis.

#### **COMPOSITION**

- 4 The Committee will comprise a minimum of three non-executive directors of the Company. All members of the Committee should be non-executive directors who are financially literate and have a sufficient understanding of the industry in which the Company operates. At least one member should have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters).
- 5 A majority of members of the Committee must be independent non-executive directors.
- 6 The Board will nominate the Chair of the Committee from time to time. The Committee Chair will be an independent director who is not the Chair of the Board.
- 7 The secretary of the Committee is the Company Secretary or their designated representative.

#### **PROCEDURAL REQUIREMENTS**

- 8 The Committee will meet as required but not less than four times a year.
- 9 Two Committee meetings will be set at a date to enable the half-yearly and yearly financial reports and statements to be reviewed prior to presentation to the board and will be attended by the external auditor. All directors are encouraged to attend these meetings.
- 10 Special meetings may be convened as required or requested by a director.
- 11 A quorum of the Committee will comprise two members, one of whom must be the Committee Chair or, in the absence of the Committee Chair, another independent non-executive director. However, all members of the Committee are expected to attend and participate in Committee meetings.
- 12 If the Committee Chair is absent from a meeting and no acting Committee Chair has been appointed, the Committee members present may choose one of them to act as Committee Chair for that meeting.
- 13 Meetings of the Committee may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution.
- 14 Non-committee members may be invited to attend meetings by the Committee Chair.

- 15 Each member of the Committee will have one vote.
- 16 The Committee Chair will not have a casting vote. If there is a tied vote, the motion will be referred to the Board for resolution.
- 17 The Committee must be provided with such internal resources as it considers necessary or desirable to fulfil its objectives. This will include rights of access to the Investment Manager, rights to seek explanations and additional information and access to auditors, internal and external, without management of the Company present.
- 18 The Committee may seek such advice from any internal or external parties or professional advice as it may consider necessary or desirable to fulfil its objectives.
- 19 Following each meeting the Committee Chair will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Committee that requires Board approval or action and provide the Board with sufficient information upon which to make a decision in that regard.
- 20 Minutes of meetings of the Committee will be prepared for approval by the Committee and circulated to the members of the Board.
- 21 The Company Secretary will provide such assistance as may be required by the Committee Chair including in relation to preparation of the agenda, minutes or papers for the Committee.

## **ANNUAL REVIEW**

- 22 The Committee will prepare and provide to the Board annually:
  - (a) a self-evaluation of its performance against this Charter;
  - (b) recommended goals and objectives for the coming year; and
  - (c) recommended changes or improvements to this Charter if necessary.
- 23 The annual review may be done by way of an oral report to the Board by the Committee Chair.

## **EVALUATION PERFORMANCE**

- 24 The Committee, in order to ensure that it is fulfilling its duties to the Company and its shareholders, will periodically:
  - (a) obtain feedback from the Board on the Committee's performance and implement any agreed actions; and
  - (b) provide any information the Board may request to facilitate its review of the Committee's performance.

## **REVISIONS OF THIS CHARTER**

- 25 The Committee is responsible for reviewing the effectiveness of this Charter and the operations of the Committee. Any amendments to this Charter must be approved by the Board.