



**PERPETUAL LIMITED**  
**AUDIT, RISK & COMPLIANCE COMMITTEE**

**TERMS OF REFERENCE**

**1.0 Objective**

**1.1** The Audit, Risk & Compliance Committee (**committee**), is a committee of the board of directors of Perpetual Limited (**board**). The purpose of the committee is to assist the board to carry out the following functions more efficiently and fully:

- (a) oversight of the integrity of the group's statutory financial reports and statements;
- (b) monitoring that management has an appropriate framework in place to identify and effectively manage risk; and
- (c) monitoring compliance with regulatory, prudential, legal and ethical standards.

**1.2** The committee may, within the scope of its responsibilities:

- (a) perform activities and make recommendations to the board consistent with these terms of reference;
- (b) engage independent counsel and other advisors as it considers necessary to carry out its duties at Perpetual's expense;
- (c) require the attendance of company officers at meetings as appropriate; and
- (d) have unrestricted access to management, employees and information it considers relevant to its responsibilities under these terms of reference.

**1.3** The committee has no management role.

**2.0 Membership**

**2.1** The committee will have a minimum of three independent non-executive director members appointed by the board.

**2.2** The board also appoints the chairman of the committee, who must be an independent director who is not the chairman of the board.

**2.3** Each member must be financially literate; at least one member must have accounting or related financial expertise and some members must have an understanding of the financial services industry.

- 2.4** The chairman of the committee will ensure that there is an appropriate induction process for completion by each new member.
- 2.5** The secretary of the committee will be the company secretary, or such other person as nominated by the board.
- 2.6** The skills and performance of all committee members will be reviewed annually by the board.
- 3.0 Meetings**
- 3.1** The committee meets formally at least four times a year and the schedule of meetings will be agreed in advance.
- 3.2** Two of the meetings will be set at a date to enable the draft half-yearly and yearly financial reports and statements to be reviewed prior to presentation to the board and will be attended by the external auditors.
- 3.3** Special meetings may be convened as required or requested by a director.
- 3.4** Attendance by members at committee meetings must be disclosed in the annual report.
- 3.5** A quorum is two independent non-executive director members of the committee.
- 3.6** The managing director, chief financial officer, chief risk officer and head of internal audit will be invited to attend all meetings, unless otherwise determined by the committee. The external auditors will be invited to attend each meeting and during each meeting will meet with the committee in the absence of management. Other senior executives will be invited by the committee to attend as required.
- 3.7** The chief financial officer, chief risk officer and head of internal audit have the right to meet on a confidential basis with the chairman of the committee or the committee as a whole.
- 3.8** The agenda and supporting papers should be delivered to the committee members by the company secretary at least five days in advance of each meeting.
- 3.9** Draft minutes of each committee meeting are to be approved by the committee chairman and circulated to all committee members by the company secretary within two weeks of the committee meeting.
- 3.10** Once the minutes have been approved by the committee chairman, a copy will be included in the papers for the next board meeting.
- 3.11** Minutes are not a verbatim recording of the meeting but should accurately record the resolutions of the committee, key reasons for those decisions (where appropriate) and actions arising.
- 3.12** The action list from each committee meeting will be approved by the committee chairman and circulated to all committee members with the minutes of the meeting.
- 3.13** The action list will include accountabilities and the nature and timing of subsequent reporting.

**3.14** Reports and other papers of the committee shall be made available to all directors upon request, provided no conflict of interest exists.

**3.15** Other members of the board are invited to committee meetings under a standing invitation.

## **4.0 Responsibilities**

### **4.1 Financial Reporting**

- (a) Review half-yearly and yearly financial reports and statements with management and with the external auditors as necessary prior to their approval by the board.
- (b) Review any recommendations from the chief financial officer on accounting policy changes.
- (c) Make recommendations to the board on significant accounting and financial policy issues.
- (d) Review the reports from the chief financial officer in respect of any qualified audit reports in respect of funds, trusts or portfolios for which any group company is responsible.

### **4.2 Risk Management**

- (a) Review the implementation and maintenance of a risk management framework and internal control system throughout the Perpetual Group to manage material business risks that:
  - (i) supports the wider goals, objectives and strategies of Perpetual and its businesses;
  - (ii) ensures that all significant risks are identified, evaluated, treated, monitored and communicated at a group, divisional and business/support unit level; and
  - (iii) is consistent in principle with internationally accepted standards..

### **4.3 Taxation**

- (a) Review Perpetual Group tax policies and practices including any material decisions relating to tax.
- (b) Review the Perpetual Group's tax risk management framework and progress in implementing that framework including the effectiveness of tax risk management policies.

### **4.4 Group Compliance**

- (a) Review reports from the chief risk officer in relation to compliance with any conditions of regulatory licences and other approvals held by group companies;
- (b) Review policies and programs developed in respect of significant compliance issues including the issue of regulated disclosure documents and Anti-money Laundering Program.;
- (c) Review and monitor the propriety of all related party transactions.

#### 4.5 Review of Reports and Approval of Plans

- (a) Review at least annually recommendations from the chief financial officer and the external auditors on the key financial and accounting principles to be adopted by the group in the preparation of its statutory financial reports and statements.
- (b) Review a quarterly activity report from the chief risk officer dealing with:
  - (i) the operation of the group's risk management framework;
  - (ii) significant risk exposures and risk events including any major failures in the operation of key internal control systems;
  - (iii) the outcome of quality assurance reviews and the implementation of management responses and actions in relation to quality assurance reports;
  - (iv) the annual plans of the chief risk officer in respect of the group's risk management framework and the progress of implementation of these plans;
  - (v) management of litigation.
- (c) Review reports on key operational risk issues prepared by executives from time to time.
- (d) Review half yearly reports in respect of entities in which the Perpetual Group has a non-controlling interest and has the right to appoint at least one director (**associate entities**) from one of the company's nominated directors. The report should address financial and operational risk issues which the relevant director believes should be brought to the attention of the committee having regard to the committee's responsibilities.

#### 4.6 Interface with the external auditor

- (a) Approve the annual plans of the external auditor for the group and regularly monitor the progress of implementation of these plans.
- (b) Liaise with the external auditor as necessary.
- (c) Review with the external auditor any significant recommendations made by them on the subject of internal controls, and management's response to the recommendations.
- (d) Monitor the progress made by management for the improvement in internal controls arising from recommendations made by the external auditor.
- (e) Make recommendations on the annual engagement of the external auditor.
- (f) Review external audit fees.
- (g) Review at least annually the independence of the external auditor.
- (h) Annually review the performance of the external auditor.

#### 4.7 Internal audit

- (a) Monitor that management has in place a process for conducting internal audit and that it is functioning effectively and resourced adequately.
- (b) Review and approve the charter of the Internal Audit function.

- (c) Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and acted on.
- (d) Review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that there is appropriate co-ordination with the external auditor.

#### **4.8 Resourcing**

- (a) Monitor the level of resources related to the management of risk across the group.

#### **4.9 Perpetual's Insurance Program**

- (a) Review Perpetual's insurance program annually having regard to the nature of the Group's business and the insurable risks associated with that business.
- (b) Recommend to the board changes to Perpetual's insurance program resulting from the annual review.

#### **5.0 General**

- 5.1 The committee will carry out any other responsibilities and functions that may be delegated by the board.

#### **6.0 Reporting responsibilities**

- 6.1 The committee will through its chairman, regularly update the board about matters relevant to the committee's role and responsibilities and make appropriate recommendations for approval by the board.

#### **7.0 Evaluating performance**

- 7.1 In order to ensure that the committee is fulfilling its duties to Perpetual and its shareholders, the committee 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.

#### **8. Review of Terms of Reference**

- 8.1 The committee will review the committee's terms of reference periodically, discuss any required changes with the board and ensure any revisions to the terms of reference are approved by the Perpetual board.