



Perpetual Limited

BOARD CHARTER

22 June 2020

Perpetual 

PERPETUAL LIMITED
(the "Company")
BOARD CHARTER

ADOPTED ON 19 JULY 2004

AND AMENDED ON 11 AUGUST 2004, 16 NOVEMBER 2004, 17 MAY 2005, 18 JULY 2006, 17 JULY 2007, 15 JULY 2008, 12 AUGUST 2009, 22 JUNE 2010, 21 FEBRUARY 2011, 27 AUGUST 2013, 26 AUGUST 2014, 28 SEPTEMBER 2015, 28 MAY 2019 and 22 JUNE 2020

1. INTRODUCTION

1.1 This Charter sets out:

- (a) specific powers and responsibilities of the board of Perpetual Limited (**Board**);
- (b) matters specifically reserved to the Board and those delegated to the Chief Executive Officer and Managing Director (**CEO**); and
- (c) procedures aimed at ensuring the effective operation of the Board and each director.

2. BOARD RESPONSIBILITIES

2.1 The Board is appointed by the shareholders.

2.2 The Board is responsible for:

Strategy

- (a) demonstrating leadership and defining the purpose of the Company and its wholly owned subsidiaries (together **Group**);
- (b) setting the Group's direction, strategies and financial objectives and monitoring management's implementation of these;
- (c) ensuring that the necessary financial, IT and human resources are in place for the Group to meet its objectives;

Governance

- (d) setting the values and standards of conduct and service for the Group and ensuring that these are adhered to, in the interests of shareholders, employees, customers, suppliers and the communities in which the Group operates and generally safeguarding the reputation of the Group;
- (e) overseeing the Group's corporate governance framework and monitoring implementation of this;
- (f) satisfying itself that an appropriate reporting framework exists for relevant information to be reported by management to the Board and, whenever required, challenging management and holding it to account;
- (g) setting the Group's statement of values and Code of Conduct and monitoring management's instilling of the Group's values;
- (h) ensuring that the performance of the Board, its committees and management is regularly assessed and monitored to ensure that both the Board, its committees and management have the required competencies and application to discharge their respective responsibilities;
- (i) monitoring the performance of the boards of the Group's subsidiaries;

Risk management

- (j) monitoring that management has an appropriate framework in place to identify and effectively manage all aspects of strategic and enterprise risk including financial and non-financial risk, setting and regularly reviewing the Group's risk profile and appetite, and reviewing (at least annually) the Group's risk management framework in respect of both financial and non-financial risk to satisfy itself that it continues to be sound;
- (k) monitoring the activities of the Group's licensed and regulated subsidiaries;
- (l) overseeing the integrity of internal audit;
- (m) monitoring the Group's Workplace Health and Safety framework and reviewing the effectiveness of that framework on an annual basis;
- (n) monitoring the Group's compliance management framework and oversight of compliance with regulatory, prudential, legal and ethical standards;

Financial and business performance

- (o) monitoring business performance and the Group's financial position;
- (p) overseeing the Group's taxation policies and practices and tax risk management framework;
- (q) overseeing the integrity of the Group's financial accounts and reporting systems and the preparation of the Group's financial statements, including the external audit;
- (r) monitoring the Company's continuous disclosure obligations, reviewing and approving price sensitive announcements to the ASX and ensuring that management has an appropriate framework in place to manage investor relations;
- (s) monitoring management's investment performance, strategies and processes in respect of investment activities which the Group performs for third parties;

People and remuneration

- (t) ensuring that the Group's remuneration policy is aligned with the Group's performance, purpose, values, strategic objectives and risk appetite;
- (u) appointing (including, from time to time, determining the remuneration, and terms and conditions of appointment), reviewing the performance of, and terminating, the CEO, and reviewing and approving the CEO's succession plan;
- (v) on the recommendation of the CEO, appointing and terminating the CFO; and
- (w) reviewing and approving recommendations for the appointment, remuneration of, and the assessment of the performance of, the CEO's direct reports and other employees who are deemed to be individuals who may affect the Company's financial soundness, and reviewing their succession plans (including the succession plans of senior management);
- (x) approving the appointment and replacement of the company secretary; and
- (y) setting the Group's diversity strategy and establishing measurable objectives related to gender diversity and overseeing progress against them.

3. POWERS OF THE BOARD

3.1 Powers reserved to the Board

In addition to those matters specifically reserved by law, the powers and functions specifically reserved to the Board include but are not limited to:

Strategy formulation

- (a) determining from time to time the allocation of duties and responsibilities between the Board and the CEO;
- (b) overseeing the group's human resources policies and practices, approving the Group short-term incentive plan (STI) plan performance measures, size of the Group STI pool and any variable incentive plans or employee incentive schemes;
- (c) approving the Company's annual operating plan, including the capital investment plan, insurance plan, capital management plan and disaster recovery plan;
- (d) reviewing and approving the Company's strategic direction, goals and targets annually;
- (e) approving the capital structure of the Company;

Strategy execution

- (f) approving new or revised debt funding facilities for the Company and any subsidiary;
- (g) approving the acquisition, establishment (whatever the form), disposal or cessation, of a material business of the Company (or one that forms part of the key strategic operations of the Group), or disposal or cessation of an asset of the Company for a consideration exceeding \$4 million (excluding the Company's equity investment portfolio), provided that any approval by management for amounts less than \$4million must be within the scope of the Board's current approved business plan for the relevant financial year and risk appetite statement;
- (h) approving a loan of Company funds:
 - (i) to an entity which is not a member of the Group; or
 - (ii) to an entity in which the Company or a member of the Group has an interest of less than 50 percent, where the loan exceeds \$1 million;
- (i) approving capital expenditure on plant and equipment which exceeds \$4 million and any material disposals of these (including intellectual property), provided that any approval by management for amounts less than \$4 million must be within the scope of the Board's current approved business plan for the relevant financial statement and risk appetite statement;
- (j) approving leasing and long-term service arrangements with a material net present value of greater than \$4 million, provided that any approval by management for amounts less than \$4 million must be within the scope of the board's current approved business plan for the relevant financial year and risk appetite statement;
- (k) approving the half-year report, annual report, Chairman's Letters and other significant releases to the ASX;
- (l) approving the Corporate Responsibility Statement or equivalent report disclosed to the applicable securities exchange;
- (m) approving all employee equity ownership plans;

Risk management

- (n) approving systems, frameworks and criteria recommended by management by which to assess, monitor and review information concerning the financial position and performance and the financial and non-financial risk exposures of the Group including material exposure to environmental or social risks;
- (o) approve the risk appetite statement for the Group within which management must operate;
- (p) appointing the external auditor;

- (q) approving all material accounting matters requiring judgment;
- (r) approving policies in the following areas:
 - (i) corporate governance, including policy on the engagement of external auditors for non-audit services;
 - (ii) appointment of directors to the Company, subsidiaries or statutory committees;
 - (iii) diversity of Perpetual's workforce (including but not limited to ethnicity, gender and age);
 - (iv) remuneration policy;
- (s) approving policies recommended and to be implemented by management of the Company in the following areas:
 - (i) operational and business risk management;
 - (ii) accounting policy as disclosed in the notes to the statutory financial statements; and
 - (iii) dividends;

Culture

- (t) The Board is responsible for approving the Group's statement of values and charging the CEO and senior management with the responsibility of inculcating those values across the Group through appropriate training, continuous referencing and reinforcement of those values in interactions with employees.
- (u) The Board is responsible for approving the Group's code of conduct, whistleblower policy and anti-bribery and anti-corruption policy and ensuring that it receives appropriate reporting from management of any material breaches of the code or incidents reported under the policies.
- (v) The Board is responsible for monitoring the effectiveness of the Group's culture and conduct as described in 3.1(t) and 3.2(u).

3.2 Powers of the Board

The Board in the discharge of its continuous disclosure obligations will have regard to a range of factors including those set out in Schedule A of this Charter.

3.3 Delegation to Committees

The Board may from time to time establish, and delegate to, committees to assist it in carrying out its responsibilities and will adopt charters setting out matters relevant to the composition, responsibilities and functions of such committees, and other matters that the Board may consider appropriate. The committees only have the decision-making authority set out in the charters or as otherwise delegated to the committees by the Board. The chairman of each committee provides regular updates to the Board on material matters arising at meetings of the committees.

3.4 Committees

From time to time, the Board delegates responsibilities to committees and has established the following committees, each with its own Terms of Reference:

- (a) an Audit, Risk and Compliance Committee;
- (b) a Nominations Committee;
- (c) an Investment Committee; and
- (d) a People and Remuneration Committee.;

Each committee, except for the Continuous Disclosure Committee, shall be comprised of

non-executive directors appointed by the Board based on skills and experience relevant to the needs of each committee, and on the workload capacity of individual directors.

The Continuous Disclosure Committee is appointed in accordance with paragraph 16.3.

In general, the committees would make recommendations for action to the Board.

4. BOARD AND MANAGEMENT

4.1 The Board will promote constructive and respectful relations with management so that the Board and management can effectively discharge their mandates.

4.2 Delegations

In accordance with article 24.3 of the Company's constitution, the powers:

- (a) not expressly or implicitly reserved to the Board by law or under rule 3.1 of this Charter; and
 - (b) required for the management and operation of the Company,
- are conferred on the CEO and may be sub-delegated by the CEO to an employee(s) or agent of the Company, subject to the CEO providing to the Board the information required from time to time by the Board relating to the exercise of delegated powers.

5. MANAGEMENT AND CEO

5.1 Service Agreement

The CEO is responsible for the management and operation of the Company and has a formal written service agreement setting out duties, rights and responsibilities and entitlements on termination. The CEO manages the Company in accordance with the strategic plans, business plans and policies approved by the Board.

5.2 Performance review

The Board is responsible for establishing performance criteria applicable to the CEO. The Board, through the Chairman of the Board, will conduct a formal review of the performance of the CEO and senior management on an annual basis.

5.3 Financial Reporting

The CEO and chief financial officer will state in writing to the Board, before the Board approves the Company's financial statements for a full or half year period, that in their opinion:

- (a) the Company's consolidated financial statements and incorporated notes present a true and fair view, in all material respects, of the company's financial position and performance and comply with the relevant accounting standards;
- (b) the company's financial records have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
- (c) that this opinion in respect of the integrity of the financial statements and notes is founded on a sound system of risk management and internal controls and that the Company's risk management and internal control systems to the extent they relate to financial reporting is operating efficiently and effectively in all material respects based on the risk management framework adopted by the Company.

5.4 Material business risks

Management will report to the Board, and the Board may seek further assurances from management, on the operation and effectiveness of the Company's risk management and internal control system in managing the Company's material financial and non-financial risks including material exposure to environmental, social risks or other risks

6. EMPLOYEES, ADVISERS AND CONSULTANTS

6.1 The Board is entitled to rely on employees of the Company or professional advisers or consultants engaged by the Board or the Company, where:

- (a) there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and
- (b) the reliance was made in good faith and after making an assessment of the information or advice provided.

7. BOARD COMPOSITION

7.1 Independent Directors

The Board will comprise a majority of non-executive directors who are assessed to be independent in accordance with clause 8 of this Charter.

7.2 Non-executive directors

- (a) Non-executive directors are engaged through a written letter of appointment and the appointment of new non-executive directors is confirmed by shareholders at the next annual general meeting. Appropriate background checks are made before a new director is appointed.
- (b) In order to revitalise the Board, non-executive directors may not seek re-election after three elected terms of three years unless the Board (through the Nominations Committee) requests them to do so. The Board may invite a non-executive director to seek re-election beyond nine years if this would be advantageous for reasons such as board leadership or continuity.
- (c) The Board will review the skills and diversity represented by directors on the Board and consider whether the composition and mix of those skills and diversity remain appropriate in the Company's circumstances from time to time.

7.3 Chairman

- (a) The directors must elect as chairman one of their number who is an independent non-executive director and has not previously served as CEO of the Company.
- (b) The chairman is responsible for leadership of the Board, facilitating the effective contribution of all directors and the management of the relationship between the Board and the CEO, and has a particular responsibility for promoting constructive and respectful relations between directors and between the Board and management in accordance with clause 4.1.
- (c) The chairman is responsible for promoting the interests of the Group as a whole and ensuring constructive and respectful relations with the Company's shareholders, other public organisations, government, other companies and the public generally.
- (d) The chairman is responsible for facilitating the effective contribution of all directors and setting the Board's agenda to ensure that adequate time is available for discussion of all agenda items, and in particular those agenda items of strategic importance.

7.4 Other appointments

A non-executive director may not accept any subsequent directorships until approval has been given by the chairman.

8. INDEPENDENCE

8.1 Purpose of independence

The Board acknowledges that the overall purpose of independence is to ensure that a director does not have a relationship where there is, or is perceived to be, any matter

which could materially interfere with a director's ability to exercise unfettered judgement in the best interests of the Company's shareholders.

8.2 Determination of independence

- (a) The Board must consider all of the circumstances relevant to a director, in determining whether the director is free from an interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.
- (b) Amongst the circumstances considered by the Board will be a range of factors, including those set out in Box 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 4th edition (ASX Principles).
- (c) The Board may determine that a director is independent notwithstanding the existence of circumstances or relationships described in the ASX Principles and will disclose the reasons for its determination in the Company's Corporate Responsibility Statement or equivalent corporate report released to the ASX.

8.3 Standing declaration of interests

- (a) All Directors must disclose personal conflicts of interests that may potentially affect the Company and Group, as well as their external appointments. These disclosures must, in turn, be maintained in a register which is tabled at every Board meeting and maintained by the company secretary (Standing Declarations of Interest).
- (b) All Directors are required to notify the Board and the company secretary in any change to their Standing Declarations of Interest.

8.4 Review of independence

The Board will review the independence of each director each year in May and at any time when a change occurs that may affect a director's independence. Non-executive directors will also formally advise the chairman of any relevant information and update the chairman if their circumstances change at any time.

8.5 Materiality of circumstances and relationships

In assessing materiality in relation to clause 8.2, the Board will take a qualitative approach to materiality rather than setting strict numerical thresholds and will consider each director's individual circumstances on its merits. Materiality is considered from the perspective of both the Company and its directors.

9. CONDUCT OF DIRECTORS

9.1 Code of Conduct

Each director will comply with the Company's code of conduct.

9.2 Trading in Company's securities

Each director will comply with the Company's policy for trading in the Company's securities by directors, officers and employees as varied from time to time.

10. ACCESS TO INDEPENDENT ADVICE

10.1 Board access

The Board may obtain independent professional advice to assist it in the proper exercise of its powers and responsibilities, with the cost to be borne by the Company.

10.2 Director's access

- (a) A director may obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director of the Company.

- (b) The costs of the independent professional advice obtained by a director under clause 10.2.1 above are to be borne by the Company provided that before engaging the independent professional adviser, the director obtains the prior approval of the chairman, or if the director is the chairman, the prior approval of the chairman of the Audit, Risk and Compliance Committee.
- (c) Any such independent professional advice obtained by a director under paragraph 10.2(a) must be produced by the director to the Company and in doing so the director agrees to waive any claim for client legal privilege in relation to the advice to the extent that such privilege may otherwise prevent the disclosure of that advice to the Company.

11. INDUCTION AND PROFESSIONAL DEVELOPMENT

- 11.1** Upon appointment, new directors participate in a comprehensive induction program designed to familiarise them with the Group's business, strategy, operations, Group Executives and senior management team.
- 11.2** Directors are expected to participate in all induction and orientation programs and any continuing education or training arranged for them.

12. MEETINGS

12.1 Holding of meetings

- (a) Subject to clause 12.1(b) the Board will meet regularly, at the times determined by the chairman, at least eight scheduled times per year.
- (b) In accordance with article 22.3 of the Company's constitution, a director may convene a meeting of the Board at any time.

12.2 Board papers

- (a) The company secretary will distribute in advance of a meeting of the Board an agenda, settled in consultation with the CEO and chairman, and any related papers to each member of the Board.
- (b) It is the Group's practice for Board papers to be distributed via a secure electronic Board portal, the contents of which is maintained by company secretariat.

12.3 Minutes

- (a) The company secretary will prepare minutes of meetings of the Board and have them approved by the chairman.
- (b) Minutes of meetings will be confirmed at the next meeting of the Board.
- (c) Minutes of committee meetings will be included in the papers for the next meeting of the Board following the date of the committee meeting.
- (d) Minutes of the meetings of the Board and committees must be entered into the minute book within one month after the relevant meeting and signed within a reasonable time after the meeting by the chairman of that meeting, or a succeeding meeting.

12.4 Non-executive directors

The non-executive directors will meet at least twice per year to discuss the effectiveness of management, without the presence of the CEO or management at such meetings.

13. BOARD REPORTING

- 13.1** Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- 13.2** The company secretary will regularly review the effectiveness and comprehensiveness

of Board reporting, in consultation with the Board.

14. BOARD PERFORMANCE REVIEW

14.1 The Board through the chairman and such advisers that may be appointed will undertake ongoing self-assessment and annually review the performance of the Board, its committees and individual directors.

14.2 The annual review process will include:

- (a) a review of the Board's skill matrix to ensure it covers the skills needed to address existing and emerging business and governance issues relevant to the Group.

It will also consider whether there is any need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their roles as directors effectively.

15. COMPANY SECRETARY

15.1 The company secretary is responsible for:

- (a) advising the Board and its committees on governance matters;
- (b) co-ordination of all Board business including:
 - (i) preparation of agendas;
 - (ii) administration of the Standing Declarations of Interests and relevant conflicts assessments;
 - (iii) coordinating the timely completion of Board action items;
 - (iv) dispatch of Board and committee papers; and
 - (v) ensuring that the business at Board and committee meetings is accurately captured in the minutes;
- (c) monitoring that Board and its committees and ensuring that corporate governance policy and procedures are followed; and
- (d) facilitating the induction and professional development of directors.

15.2 The Board will appoint at least one company secretary. Appointment and removal of a company secretary will be subject to Board approval.

15.3 All directors will have direct access to the company secretary.

15.4 The company secretary is accountable directly to the Board, through the chairman, on all matters to do with the proper functioning of the Board.

16. CONTINUOUS DISCLOSURE

16.1 The Board is committed to ensuring that shareholders are fully informed of all material matters that affect the position and prospects of the Group and has established written policies and procedures designed to ensure compliance with ASX Listing Rule continuous disclosure requirements and to ensure accountability at a senior management level for that compliance. These policies and procedures are described in Schedule A of this Charter.

16.2 The Board receives copies of all material market announcements promptly after they have been made and ensures that any new of substantive investor presentations are released on the ASX market announcement platform ahead of the presentation being

given.

- 16.3** To assist it with the discharge of its continuous disclosure obligations the Board may appoint a Continuous Disclosure Committee with such members and on such terms as it deems appropriate.

17. INVESTOR RELATIONS

- 17.1** The Board ensures that shareholders are provided with appropriate information and facilities to allow them to exercise their rights effectively. This includes providing information about itself and its governance to investors on the Group's website and using electronic communications.
- 17.2** The Board ensures that all substantive resolutions at a meeting of shareholders are decided by a poll rather than by a show of hands.

18. ROLE OF THE BOARDS OF KEY OPERATING SUBSIDIARIES

- 18.1** The Group operates as a consolidated entity, with Perpetual Limited being its parent entity.
- 18.2** The boards of key operating subsidiaries of the Group and their delegated committees support the Board and the CEO by providing oversight of Perpetual's businesses, particularly its regulated businesses.
- 18.3** Company secretariat provides the Board, through its Audit Risk and Compliance Committee, with regular reports on material matters discussed by the boards of the Company's key operating subsidiaries. The Board is entitled to view the minutes and books of its subsidiaries in order to discharge its governance mandate.

SCHEDULE A

ASSESSMENT OF MATERIALITY

Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines on 'Materiality':

- Guidance Note 8 to the ASX Listing Rules published by the ASX recommends that reporting entities apply the guidance on materiality that formerly appeared in the Australian Accounting Standards (namely AASB1031, entitled Materiality, now withdrawn). The guidance provides that an amount which is equal to or less than 5% of an appropriate base amount ought to be treated as not material unless there is evidence, or convincing argument, to the contrary. Similarly, an amount which is equal to or more than 10% of an appropriate base amount ought to be presumed to be material, unless there is evidence, or convincing argument to the contrary. The level between 5% and 10% of an appropriate base is considered to be a 'grey' and subjective area.
- The base amount for determining quantitative materiality for the purposes of clause 3.2 of the Charter is net profit after tax less profits on disposal of investments, businesses and buildings for the most recent full financial year.
- Quantitative parameters should be regarded as merely indicative of potential materiality, without necessarily being conclusive as to materiality. Items may be regarded as material without necessarily exceeding any indicative quantitative parameters.

SCHEDULE B

INFORMED MARKET

The Board is committed to ensuring that the market is informed of all material matters that affect the position and prospects of the Group. It seeks to accomplish this through:

- ensuring that it meets its obligations of continuous disclosure under ASX Listing Rule 3.1 and section 674 of the *Corporations Act 2001* (Cth);
- the release of the Company's Half Year Results in February each year;
- the release of the Company's Full Year Results in August each year;
- the distribution of the Company's Annual Report;
- the chairman and CEO's addresses to the Annual General Meeting;
- letters from the chairman to all shareholders whenever material developments occur;
- the posting of material information on the Company's internet site as soon as it is disclosed to the market;
- disclosure of key events through the Company's online event calendar; and
- the publication of key event webcasts and presentations on the Company's website.

The Board has established a Continuous Disclosure Committee to assist the Company to comply with the continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth). The Continuous Disclosure Committee operates within the terms of reference approved by the Board.

Notwithstanding the delegation to the Continuous Disclosure Committee, the Board reserves the right to consider and determine any significant continuous disclosure matter. The Company ensures that all senior executives give regular signoffs as to whether there are matters that require disclosure to the ASX. The Board also recognises its continuous disclosure obligations and this is a standing agenda item at each scheduled Board meeting.

NEW SOUTH WALES

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