

# Audit and Risk Committee Charter

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Adopted on **15<sup>th</sup> July 2016**

The Boards of Propertylink (Holdings) Limited (**PHL**) and Propertylink Investment Management Limited (**PIML**) in its capacity as responsible entity for the Propertylink Trust (**PT**) and Propertylink Australian Investment Partnership (**PAIP**) have established an Audit and Risk Committee (the **Committee**).

The Boards of PHL and PIML have common Directors and meet concurrently, and are therefore collectively referred to as the **Board** for the purpose of this Charter.

In this Charter, PHL and PIML in its capacity as responsible entity of PT and PAIP are collectively referred to as **Propertylink** and Propertylink and its controlled entities are collectively referred to as **Propertylink Group**.

## 1. Membership of the Committee

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The Committee must consist of:

- only Non-executive Directors;
- a minimum of 3 members;
- a majority of independent Directors; and
- an independent Chair, who is not Chair of the Board.

The Board may appoint additional Non-executive Directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

It is intended that all members of the Committee should be financially literate and have familiarity with financial management and the members between them must have the accounting and financial expertise and a sufficient understanding of the industry in which Propertylink Group operates to be able to discharge the Committee's mandate effectively. At least one member should have relevant formal qualifications and experience (i.e. be a qualified accountant or other finance professional with experience of financial and accounting matters).

## 2. Role and responsibilities

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### 2.1 Overview

The Committee's key responsibilities and functions are to assist the Board with overseeing Propertylink's:

- a) financial reporting process;
- b) relationship with the external auditor and the external audit function generally;
- c) oversee Propertylink's financial controls and systems;
- d) processes for monitoring compliance with laws and regulations; and

- e) processes for identifying and managing risk.

## 2.2 Financial reporting

The responsibilities of the Committee in relation to financial reporting are as follows:

- a) Review, and discuss with management and the external auditor, Propertylink's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes.
- b) Review Propertylink Group's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of Propertylink Group, as a basis for recommendation to and adoption by the Board.
- c) Receive and review reports of the external audit of Propertylink Group's financial statements.
- d) Review and make recommendations to the Board in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing Propertylink Group's financial reports, including significant changes in the selection or application of accounting principles.
- e) Establish procedures for the receipt, retention and treatment of complaints received by Propertylink regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- f) Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.

## 2.3 External audit

The responsibilities of the Committee in relation to the external audit are as follows:

- a) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit.
- b) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditor believes special attention is necessary.
- c) Review with the external auditor its report regarding significant findings in the conduct of their audit and the adequacy of management's response.
- d) Discuss with the external auditor matters relating to the conduct of the audit, including the timeliness of their reporting, any difficulties

encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, significant disagreements with management (if any) and adequacy of management's response.

- e) Review the performance, independence and objectivity of the external auditor.
- f) Review the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- g) Recommend to the Board the selection and termination of the external auditor, subject to any required shareholder approval.
- h) Review annually the terms of engagement and other contractual terms, fees and other compensation to be paid to the external auditor.
- i) Evaluate and approve the audit plan that forms part of the external auditor's terms of engagement and ensure that any key risk areas for Propertylink are incorporated into the audit plan.
- j) Oversee Propertylink's External Audit Policy, a copy of which is attached as Attachment 2.
- k) Develop and oversee the implementation of, and compliance with, the Propertylink Group's policy on the engagement of the external auditor to supply non-audit services.
- l) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in Propertylink's Annual Report.

## 2.4 Risk management and internal control

The responsibilities of the Committee in relation to risk management and internal control are as follows:

- a) Oversee and advise the Board on high-level risk related matters, including risk appetite and tolerance in determining strategy, as well as plans in plans to manage significant risks.
- b) Review, at least annually, Propertylink Group's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk and report to the Board on its findings.
- c) Ensure that management has appropriate processes for identifying, assessing and responding to risks in a manner that is consistent with Propertylink Group's risk appetite, and that those processes are operating effectively.

- d) Review the trends in Propertylink's risk profile and report to the Board on key risks.
- e) Evaluate whether management is communicating the importance of internal control and management of risk throughout the organisation and therefore setting up an appropriate 'control culture'.
- f) Review and make recommendations to the Board in relation to the risk disclosures in Propertylink Group's periodic reporting documents, including the operating and financial review in its Annual Report.
- g) Evaluate the adequacy and effectiveness of Propertylink Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
- h) Oversee the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a regular review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- i) Evaluate Propertylink Group's exposure to fraud, overseeing investigations of allegations of fraud or malfeasance and make recommendations to the Board in relation to any incident involving fraud or other break down of the entity's internal controls.
- j) At least annually, evaluate and make recommendations to the Board in relation to the structure and adequacy of Propertylink Group's insurance program having regard to Propertylink Group's business and the insurable risks associated with its business.

## 2.5 Compliance

- a) The responsibilities of the Committee in relation to compliance are as follows:
- b) Review the procedures the Propertylink Group has in place to ensure compliance with laws and regulations, including the ASX Listing Rules, Corporations Act and AASB requirements.
- c) Review and discuss with management and the external auditor the overall adequacy and effectiveness of Propertylink Group's legal, regulatory and ethical compliance programs, including monitoring compliance with Propertylink Group policies.
- d) Monitor compliance with Australian Financial Services Licence requirements under the Corporations Act, Constitutions of PHL, PIML, PT and PAIP, the Compliance Plans for PT and PAIP and all of the associated policies.

- e) Review Propertylink Group's corporate governance practices and policies and recommend changes to the Board to ensure they remain consistent with legal and regulatory requirements.
- f) Review and approve the Code of Conduct, and ensure arrangements are in place for dissemination to all employees, including communicating the importance of the Code of Conduct and the guidelines for acceptable behaviour and monitor compliance with the Code of Conduct.
- g) Oversee and monitor the operation and implementation of the Whistleblowing Policy, including in relation to financial reporting, and recommend to the Board any necessary changes from time to time.

### 3. Rights of access and authority

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The Committee has unrestricted access to information it considers relevant to its responsibilities. The Committee has rights of access to management and to auditors without management present, and rights to seek explanations and additional information from both management and auditors.

The external auditor reports directly to the Committee.

### 4. Review

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The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

### 5. Administrative matters and procedures

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The proceedings of the Committee will be conducted in accordance with provisions set out in Attachment 1.

# Attachment 1

## Administrative matters and procedures

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### **Meetings**

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet at least quarterly.

### **Quorum**

The quorum is at least 2 members.

### **Secretary**

The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

### **Convening and notice of meeting**

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee. However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### **Independent advice**

The Committee may seek the advice of Propertylink Group's auditors, solicitors or other independent advisers, consultants or specialists as to any matter relating to the powers, duties or responsibilities of the Committee.

### **Attendance by non-Committee members**

Non-committee members, including other Non-executive Directors, members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee Chair.

In addition, the Committee will separately meet with the external auditor (without management being present) at least twice a year.

### **Minutes**

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee Chair, be presented at the next Board meeting.

All minutes of the Committee must be entered into a minute book maintained for that purpose and be available for inspection by any Director.

## Reporting

It is intended that a report of the actions of the Committee and a copy of the minutes of the Committee meeting or both will be included in the Board papers for the next Board meeting following a meeting of the Committee.

The Committee Chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All Directors may, within the Board meeting, request information of members of the Committee.

## Attachment 2

### External Audit Policy

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This Policy relates to the appointment, assessment, independence and rotation of the external auditor of Propertylink Group.

In this Policy, Propertylink (Holdings) Limited and Propertylink Investment Management Limited in its capacity as responsible entity of Propertylink Trust and Propertylink Australian Investment Partnership are collectively referred to as **Propertylink** and Propertylink and its controlled entities are collectively referred to as **Propertylink Group**.

#### Appointment

The Audit and Risk Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) (**Corporations Act**) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

#### Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

#### Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with Propertylink Group or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Propertylink Group. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment

and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the Directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Propertylink Group's Policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

### **Rotation of External Audit Engagement Partner**

The external audit engagement partner is generally required to rotate at least once every 5 years. If appropriate, the Board may, following a recommendation from the Committee, extend the eligibility term of the audit engagement partner in accordance with the Corporations Act.