



# **Audit and Risk Committee Charter**

**Liberty Fiduciary Ltd (ABN 80 119 884 623) as responsible entity for the  
Liberty Financial Group Trust (ARSN 644 813 847)**

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## 1. Introduction

- 1.1 The Audit and Risk Committee (**Committee**) has been established as a committee of the board of Liberty Fiduciary Ltd (ABN 80 119 884 623) as the responsible entity (**RE**) for the Liberty Financial Group Trust (**Trust**) (the **Board**).
- 1.2 Liberty Financial Group Limited (ABN 59 125 611 574) (**Company**), the RE, the Trust and their controlled entities are collectively referred to as the Liberty Group.
- 1.3 The ordinary shares in the Company and the ordinary units in the Trust are stapled together and quoted on the ASX.
- 1.4 This Charter sets out the role, authority, responsibilities, composition and procedural requirements of the Committee.

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## 2. Role and objectives

The role of the Committee is to assist the Board in fulfilling its responsibility for ensuring the integrity of the Liberty Group's financial reporting and the implementation of a sound system of risk management and internal control by monitoring, reviewing and advising or reporting to the Board on:

- (a) the reliability and integrity of the Liberty Group's financial reporting systems and processes;
- (b) the adoption and application of appropriate ethical standards in relation to the management of the Liberty Group and the conduct of its business;
- (c) the appropriateness of the accounting judgements or choices exercised by management in preparing the Liberty Group's financial statements;
- (d) the implementation and effectiveness of the Liberty Group's risk management and internal control policies and practices (including the Risk Management Policy);
- (e) the implementation and effectiveness of the Liberty Group's internal audit systems and processes;
- (f) the appointment and, if necessary, removal of the Liberty Group's external auditors and the work of, and relationship with, the external auditors;
- (g) the implementation and effectiveness of the Liberty Group's systems and processes for ensuring compliance with all applicable laws, regulations and Liberty Group policies; and
- (h) the adequacy of the Liberty Group's insurance policies.

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## 3. Responsibilities

- 3.1 In order to fulfil its responsibilities to the Board, the Committee will:

## Financial reports

- (a) review (including by asking the external auditors for an independent judgment about) the appropriateness and integrity of the accounting policies and principles adopted by management in the preparation and presentation of the financial reports and whether the financial disclosures in the notes to the financial reports made by management accurately portray the Liberty Group's financial condition, plans and long-term commitments;
- (b) review the financial reports for the half year and full year and related regulatory filings, and consider whether they are accurate, complete, consistent with information known to Committee members, and reflect the Liberty Group's accounting policies and principles;
- (c) receive and consider in connection with the half year and full year financial reports (and any quarterly reports, if applicable) a declaration from the Chief Executive Officer of the Company (**CEO**) and Chief Financial Officer of the Company (**CFO**) to the Board that, in their opinion, the financial records of the Liberty Group have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Liberty Group and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively; and
- (d) review with management and the external auditors results of the audit.

## Internal control and risk management

### 3.2 In consultation with management:

- (a) prepare a risk profile which describes the material business risks facing the Liberty Group, including financial and non-financial matters and taking into account both the Liberty Group's legal obligations and the reasonable expectations of its stakeholders (such as shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which the Liberty Group operates);
- (b) regularly review and update the risk profile and provide copies to the Board;
- (c) review and report to the Board (at least annually) on the effectiveness of the Liberty Group's internal controls regarding:
  - (i) the Liberty Group's financial reporting systems and processes;
  - (ii) due diligence for acquisitions and other new projects;
  - (iii) compliance with confidentiality obligations; and
  - (iv) information technology security;
- (d) review and report to the Board (at least annually) on the effectiveness of internal systems and processes for identifying, managing and monitoring material business risks, including:
  - (i) breaches of contract or internal controls;
  - (ii) litigation and claims; and

- (iii) fraud and theft;
- (e) obtain regular reports from management on the occurrence and/or status of any material breaches of internal controls or other material risk exposures or incidents and report to the Board (at each Board meeting or earlier, if appropriate) on such breaches, exposures and incidents and generally whether material business risks are being managed effectively;
- (f) review the scope of the internal and external auditors' review of internal control and risk management, review reports on significant findings and recommendations, together with management's responses;
- (g) recommend to the Board any changes to the Liberty Group's internal control and risk management framework from time to time as appropriate;

#### **Internal audit**

- (h) review with management and the internal auditor (if one is appointed), the scope and activity (including, without limitation, the independence, objectivity and performance) of the internal audit function;
- (i) meet with the internal auditor and management to review internal audit reports and monitor management responses;
- (j) meet separately with the internal auditor (without management present), at least once a year, to discuss any matters that the Committee or internal auditor believes should be discussed privately;
- (k) review the effectiveness of the internal audit activity;
- (l) ensure there are no unjustified restrictions or limitations, and consider and approve the appointment, replacement or dismissal of the internal auditor by management;

#### **External audit**

- (m) review the external auditors' proposed audit scope and approach;
- (n) meet with the external auditors to review reports, and meet separately, at least once a year, to discuss any matters that the Committee or auditors believe should be discussed privately;
- (o) establish policies as appropriate regarding the independence of the external auditor;
- (p) review the rotation of the audit engagement partner;
- (q) examine management's response to the external auditor's findings and recommendations;
- (r) review and confirm the independence of the external auditor by obtaining statements from the auditor on relationships between the auditor and the Liberty Group, including non-audit services, and discussing the relationships with the auditor;
- (s) review the performance of the external auditor, and consider the re-appointment and proposed fees of the external auditor 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;

### **Compliance**

- (t) consider the plans and processes for the Liberty Group's compliance activities;
- (u) obtain regular updates from management and lawyers regarding compliance matters;
- (v) monitor and review compliance with the Liberty Group's Australian Credit Licence and Australian Financial Services Licence;
- (w) review the effectiveness of the system for monitoring compliance with laws and regulations and the results of relevant management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- (x) review and monitor the implementation and effectiveness of the Risk Management Policy;
- (y) review the findings of any examinations by regulatory agencies;

### **Reporting responsibilities**

- (z) regularly report to the Board about Committee activities, issues and related recommendations;
- (aa) 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 have a direct line of reporting access to the Committee;
- (bb) report to the Board any material exposure to economic, environmental and social sustainability risks and, if the Liberty Group is exposed to such risks, how it should manage those risks;
- (cc) report annually to the Board regarding information to be provided in the Annual Report to shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by law or the ASX Listing Rules;
- (dd) review any other reports the Liberty Group issues that relate to the Committee's responsibilities;
- (ee) report to the Board on the Liberty Group's process to verify the integrity of any periodic corporate report the Liberty Group releases to the market that is not audited or reviewed by an external auditor;

### **Related party transactions**

- (ff) review and monitor related party transactions and investments involving the Liberty Group and any director or other related party;

### **Other responsibilities**

- (gg) perform other activities related to this Charter as requested by the Board;

- (hh) institute and oversee special investigations as needed;
  - (ii) review the Liberty Group's insurance program at least annually having regard to the Liberty Group's business and the insurable risks associated with the Liberty Group's business;
  - (jj) confirm annually that all responsibilities outlined in this Charter have been carried out; and
  - (kk) evaluate the Committee's and individual member's performance on a regular basis.
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#### **4. Composition**

- 4.1 The Committee will comprise a minimum of three members, all of whom must be non-executive directors and the majority of whom must be independent directors.
  - 4.2 All members must be financially literate (i.e. able to read and understand financial statements). At least one member must have expertise in financial and accounting matters. At least two members must have an understanding of the industry in which the Liberty Group operates.
  - 4.3 The Board will nominate the Chair of the Committee from time to time. The Chair must be an independent director who is not the Chair of the Board.
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#### **5. Procedural requirements**

- 5.1 The Committee will meet as often as it considers necessary.
- 5.2 A quorum of the Committee will comprise two members, although all members are expected to attend (either in person or by conference call or similar means) and participate.
- 5.3 If the Chair of the Committee is absent from a meeting and no acting Chair has been appointed, the members present may choose one of them to act as Chair for that meeting.
- 5.4 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.
- 5.5 Each member of the Committee will have one vote.
- 5.6 The Chair will not have a casting vote. If there is a tied vote, the motion will lapse.
- 5.7 The Committee may seek such advice from any external parties as it may consider necessary or desirable to fulfil its objectives.
- 5.8 Following each meeting of the Committee, the Chair of the Committee 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.
- 5.9 Minutes of meetings of the Committee will be prepared for approval by the Committee and circulated to the members of the Board (in the papers for the next Board meeting following the Committee meeting).

- 5.10 The Company Secretary of the RE will attend meetings of the Committee and provide such assistance as may be required by the Chair of the Committee in relation to preparation of the agenda, minutes or papers for the Committee. Any Committee member may request for a matter to be put on the agenda for a Committee meeting for consideration.
- 5.11 As necessary or desirable, the Chair may invite members of management, and representatives of the external auditors or other external advisors, to be present at meetings of the Committee.
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## **6. Authority**

The Committee may in fulfilling its purpose and discharging its responsibilities:

- (a) conduct or authorise inquiries or investigations into any matters within its scope of responsibility;
  - (b) retain lawyers, accountants or others to advise the Committee or assist in the conduct of any inquiries or an investigation;
  - (c) have unrestricted access to and seek any information it requires from:
    - (i) management and staff; and
    - (ii) internal and external auditors (without management present), all of whom are directed to cooperate with the Committee's requests;
  - (d) have access to any information and records as appropriate;
  - (e) seek advice from external consultants or specialists where the Committee considers that necessary or appropriate; and
  - (f) establish any sub-committees (such as credit committees and product and pricing committees).
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## **7. Reliance**

7.1 The Committee members are entitled to rely on:

- (a) information or advice of management and employees of the Liberty Group on matters within their area of responsibility; and
- (b) advice of internal and external counsel and other experts on matters within their areas of expertise,

provided that reliance is permitted by law.

7.2 Before a Committee member can rely on information or advice referred to in clause 7.1, the Committee member must be satisfied that there are no facts or circumstances that he or she is aware, or ought to be aware, which would deny reliance.

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**8. Annual review**

- 8.1 The Committee will review its performance annually.
- 8.2 The annual performance evaluation will have regard to the extent to which the RE has met its responsibilities in terms of this Charter.

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**9. Review of this Charter**

- 9.1 The Committee is responsible for reviewing the effectiveness of this Charter and the operations of the Committee, and to make recommendations to the Board of any amendments to this Charter.
- 9.2 Any amendment to this Charter must be approved by the Board.