



# Audit and Risk Committee Charter

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## CROMWELL PROPERTY GROUP

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Cromwell Corporation Limited ABN 44 001 056 980

Cromwell Property Securities Limited ABN 11 079 147 809

Cromwell Funds Management Limited ABN 63 114 782 777

# Audit and Risk Committee Charter

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## 1. Introduction

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- a) Cromwell Property Group (Cromwell or Group) comprises Cromwell Corporation Limited (CCL) and the Cromwell Diversified Property Trust (Trust) (the responsible entity of which is Cromwell Property Securities Limited (CPS)). The units in the Trust are stapled to ordinary shares in CCL and trade jointly on the Australian Securities Exchange (ASX) as Cromwell Property Group stapled securities (ASX:CMW).
- b) Cromwell Funds Management Limited (CFM) acts as responsible entity for a number of registered managed investment schemes. CPS acts as trustee for various unregistered trusts. CFM and CPS are wholly owned subsidiaries of CCL and therefore are Group entities.
- c) The Audit and Risk Committee (Committee) is a committee of the Board of Directors of CCL and CPS and CFM (each a Company with its own Board). The Boards of CCL and CPS and CFM are collectively referred to in this Charter as the Board.
- d) This Charter sets out the scope of the Audit and Risk Committee's responsibilities.

## 2. Objective

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The objectives of the Committee are to:

- a) help the Board to achieve its objectives in relation to:
  - i) financial reporting;
  - ii) the application of accounting policies;
  - iii) business policies and practices;
  - iv) legal and regulatory compliance; and
  - v) internal control and risk management systems;
- b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- c) promote a culture of compliance;
- d) ensure effective communication between the Board and the senior executives with compliance responsibilities;
- e) provide a forum for communication between the Board and senior finance executives;
- f) ensure effective external audit function and communication between the Board and the external auditor; and
- g) ensure compliance strategies and the compliance function are effective.

### 3. External financial reporting

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The Committee is responsible for:

- a) assessing the appropriateness and application of accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- b) obtaining an independent judgment from the external auditor about:
  - i) the acceptability and appropriateness of accounting policies and principles put forward by management; and
  - ii) the clarity of current or proposed financial disclosure practices as put forward by management;
- c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:
  - i) querying management as to how they were made; and
  - ii) querying the external auditors as to how they concluded that those estimates were reasonable;
- d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001 (Cth)* (Corporations Act);
- e) assessing information from the external auditor that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);
- f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the external auditor (as appropriate) to assess (among other things):
  - i) the compliance of accounts with accounting standards and the Corporations Act; and
  - ii) the nature and impact of any changes in accounting policies during the applicable period;
- g) discussing any draft audit opinion letter with the external auditors before it is finalised;
- h) receiving any management letter from the external auditors;
- i) forming a view as to whether, based on their knowledge of the entity, the financial reports provide a true and fair view of the financial position and performance of the entity;
- j) recommending for adoption by the Board interim and final financial reports and the annual report;
- k) reviewing documents and reports to regulators and recommending to the Board their approval or amendment; and
- l) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters.

## 4. Risk management and internal control

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The Committee is responsible for:

### 4.1 Risk management and internal compliance and control systems

- a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems at least annually;
- b) approving and recommending to the Board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - i) identifying, assessing, monitoring and managing risk; and
  - ii) disclosing any material change to the risk profile;
- c) regularly reviewing and updating the risk profile;
- d) reviewing the insurance programme;
- e) assessing the adequacy of the internal risk control system with management and external auditors;
- f) monitoring the effectiveness of the internal risk control system;
- g) ensuring the risk management system takes into account all material risks, including risks arising from:
  - i) implementing strategies (strategic risk);
  - ii) operations or external events (operational risk);
  - iii) legal and regulatory compliance (legal risk);
  - iv) changes in community expectation of corporate behaviour (reputation risk);
  - v) a counterparty's financial obligations within a contract (credit risk);
  - vi) changes in financial and physical market prices (market risk); and
  - vii) being unable to fund operations or convert assets into cash (liquidity risk);
- h) receiving reports from management of any actual or suspected fraud, theft or other breach of internal controls;
- i) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;

### 4.2 Key financial risk

- a) assessing and prioritising the areas of greatest potential financial risk, including:
  - i) safeguarding assets;
  - ii) litigation and claims;
  - iii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;
  - iv) important judgments and accounting estimates; and
  - v) maintenance of proper accounting records;
- b) assessing the internal process for determining areas of greatest potential financial risk;

- c) assessing and monitoring the management of areas of greatest potential financial risk;
- d) reporting to the Board on the adequacy of the financial risk management;

### 4.3 Legal and regulatory risk

- a) assessing and prioritising the areas of greatest legal and regulatory risk;
- b) assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk;
- c) monitoring compliance with legal and regulatory obligations;
- d) reporting and making recommendations to the Board regarding:
  - i) the management of areas of greatest legal and regulatory risk (including fraud and theft); and
  - ii) compliance with legal and regulatory obligations;
- e) receiving and reviewing reports from the Compliance Committee;

### 4.4 Disclosure and reporting

- a) ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;
- b) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);
- c) assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;
- d) assessing internal control systems relating to the release of potentially adverse information; and
- e) reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

## 5. External audit

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The Committee is responsible for:

- a) approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each year;
- b) regularly reviewing with the external auditor:
  - i) the scope of the external audit;
  - ii) identified risk areas; and
  - iii) any other agreed procedures;
- c) approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:

- i) technical and professional competency;
- ii) adequacy of resources; and
- iii) experience, integrity, objectivity and independence;
- d) recommending to the Board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph c);
- e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph c);
- f) recommending to the Board the remuneration of the external auditor;
- g) regularly reviewing the effectiveness and independence of the external auditor taking into account:
  - i) the length of appointment;
  - ii) the last dates lead engagement partners were rotated;
  - iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and
  - iv) any relationships with Cromwell Property Group or any other body or organisation that may impair or appear to impair the external auditor's independence;
- h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;
- i) recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;
- j) meeting periodically with the external auditors and inviting them to attend Committee meetings to:
  - i) review their plans for carrying out internal control reviews;
  - ii) consider any comments made in the external auditor's management letter, particularly any comments about material weaknesses in internal controls and management's response to those matters; and
  - iii) make recommendations to the Board;
- k) asking the external auditor if there have been any significant disagreements with management and whether or not they have been resolved;
- l) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations;
- m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate; and
- n) receiving and reviewing the reports of the external auditor.

## **6. Compliance assurance, internal audit testing**

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The Committee is responsible for:

- a) ensuring the external auditor does not provide compliance assurance and internal audit testing services;

- b) overseeing the scope of the compliance assurance and internal audit testing programme;
- c) reviewing and approving the scope of the compliance assurance and internal audit testing programme;
- d) monitoring the progress of the programme and considering the implications of the findings for the control environment;
- e) monitoring and reporting to the Board on management's responsiveness to compliance assurance and internal audit testing findings and recommendations; and
- f) receiving and reviewing the compliance assurance and internal audit testing reports.

## 7. Other responsibilities

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The Committee is responsible for:

- a) overseeing the implementation of Cromwell Property Group's code of conduct and assessing compliance with it;
- b) assessing and recommending to the Board for adoption the scope, cover and cost of corporate insurance, including insurance relating to directors' and officers' liability, professional indemnity, and crime;
- c) reporting to the Board on any industry development affecting the control environment;
- d) ensuring the audit, risk management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments; and
- e) monitoring the effectiveness of the Cromwell Property Group sustainability framework.

## 8. Committee composition

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- a) The Committee must comprise:
  - i) at least three Cromwell directors. These directors must, between them, have the accounting and financial expertise and understanding of the industry(ies) in which Cromwell Property Group operates to meet the Committee's objectives; and
  - ii) a majority of independent Cromwell directors.
- b) The Committee will appoint its Chairman. The Chairman of the Committee must be an independent Cromwell director and may not be the Chairman of the Cromwell Board.
- c) The Committee will appoint a secretary.
- d) The Board decides appointments (when applicable), rotations and resignations within the Committee having regard to the ASX Listing Rules, the Corporations Act and each Company's constitution.

## 9. Committee meetings

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- a) The Committee will meet often enough to undertake its role effectively. As a general rule, the Committee will meet at least three times per year. Additional meetings will be held as the work of the Committee demands.
- b) A quorum for a Committee meeting is two Committee members.
- c) Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.
- d) The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the Corporations Act.
- e) The Committee may invite other persons it regards appropriate to attend Committee meetings.

## 10. Minutes of Committee meetings

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- a) The Committee must keep minutes of its meetings.
- b) Minutes of each Committee meeting must be included in the papers for the next full Board meeting after the Committee Chairman has approved those minutes.
- c) Minutes, agenda and supporting papers are available to directors upon request to the Committee secretary, except if a conflict of interest exists.

## 11. Reporting to the Board

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- a) The Committee Chairman must report the Committee's findings to the next full Board meeting after each meeting of the Committee.

## 12. Access to information and independent advice

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- a) The Committee has access to any information it considers necessary to fulfil its responsibilities.
- b) The Committee has access to:
  - i) management to seek explanations and information; and
  - ii) auditors to seek explanations and information from them, without management being present.
- c) The Committee may seek professional advice from employees of Cromwell Property Group and any independent professional advice from appropriate external advisers, at Cromwell Property Group's cost. The Committee may meet with these external advisers without management being present.



### **13. Review and changes to this Charter**

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- a) The Committee will review this Charter annually or as often as it considers necessary and make recommendations to the Board for any changes.
- b) The Board may change this Charter at any time by resolution.

### **14. Approved, adopted and reviewed**

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- a) This Charter was adopted by the Audit and Risk Committee on 29 January 2008 and approved by the CCL and CPS Boards on 30 January 2008 and by the CFM Board on 28 June 2017.
- b) The Committee last reviewed the Charter in March 2018.
- c) The CCL and CPS and CFM Boards last reviewed the Charter in June 2018.