

Perpetual Limited

RISK MANAGEMENT FRAMEWORK

June 2019

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COMMITMENT TO RISK MANAGEMENT

The Perpetual Board (Board) has ultimate responsibility and commitment to ensure that the organisation has a framework in place to manage risk. The Board's commitment is reflected through the establishment of, and investment in the Perpetual Group Risk, Group Compliance and Internal Audit functions, led by the Chief Risk Officer (CRO). The CRO has the mandate to design and implement this Risk Management Framework (RMF). This commitment is further demonstrated by the formation of the Audit, Risk & Compliance Committee (ARCC), a Board Committee with responsibility for overseeing the design and effectiveness of the RMF.

SCOPE

This RMF applies to Perpetual Limited and its wholly owned subsidiaries, collectively referred to as Perpetual.

Perpetual subsidiaries may elect to implement risk framework elements in addition to this RMF, particularly where these subsidiaries are subject to specific regulatory requirements (such as Perpetual Superannuation Limited or Perpetual (Asia) Limited), however these additional elements must not reduce the level of risk oversight required by this RMF.

Where Perpetual acts in the capacity of Responsible Entity or as Trustee for investment entities (such as Managed Investment Schemes and Managed Investment Trusts), this RMF applies to all the activities that Perpetual undertakes as Responsible Entity or Trustee. While this includes oversight of external parties that support these investment entities (such as external investment managers or administrators), the risk oversight measures set out in this RMF do not fully extend to these external parties. Service provider governance processes are implemented in these instances to provide this oversight.

This RMF does not specifically apply to unrelated Perpetual entities (such as the Perpetual Equity Investment Company and Perpetual Legal Services Pty Ltd), however these entities may elect to adopt this RMF. Where Perpetual Limited or its subsidiary companies provide services to these unrelated entities, these services must be subject to the risk oversight measures set out in this RMF.

GOVERNANCE STRUCTURE

The functionality of the RMF is supported by a well-established governance framework. Key components of which are outlined below:

Perpetual Limited Board (the Board): Responsible, among other things, for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of Perpetual can be met. The Managing Director sits on the Board. All other members of the Board are independent non-executive directors.

The Board Sub Committees referenced below support the Board in fulfilling its risk management and governance obligations.

Audit Risk & Compliance Committee (ARCC): Responsible for overseeing the RMF and the financial reporting process at Perpetual. The ARCC is also responsible for monitoring overall legal and regulatory compliance. All members of the ARCC are independent non-executive directors.

Investment Committee (IC): Responsible for monitoring the effectiveness of Perpetual's investment governance framework, ensuring management has in place and carries out appropriate investment strategies and processes for investment activities undertaken on behalf of clients and the Group.

People and Remuneration Committee (PARC): Responsible for monitoring the Group's people and culture policies and practices.

Nominations Committee: Recommends nominees for the Board, reviews the size and structure of the board to ensure that the board comprises appropriately qualified and experienced people. Also responsible for implementing a formal evaluation process of the board's performance as a whole.

The Board and its Sub Committees (listed above) meet regularly, are governed by Terms of Reference and contain appropriately qualified and experienced members.

Subsidiary Boards: Subsidiary Company Boards oversee aspects of risk management relevant to their specific functions. This includes the Boards of regulatory licensed entities and committees of relevant subsidiary companies of Perpetual.

Key management committees, with delegated responsibilities, include the Executive Committee (ExCo), Compliance Committees, Breach Committee and Due Diligence Committees.

To properly administer its services in its client's best interests, all Perpetual entities have delegated several of its functions and powers to the Conflicts Officers as set out by the Conflicts of Interest framework.

RISK APPETITE STATEMENT (RAS)

The Board's expectations regarding the consideration of risk in decision making processes and expected behaviours are outlined in Perpetual's RAS.

The RAS sets out the Board's posture in relation to each of Perpetual's eight risk categories (these risk categories are defined later in this RMF) and articulates the desired behaviours, measures and tolerances that management are to take into account when setting and implementing strategy and running of their day to day areas of responsibility. Whilst risk limits and measures are incorporated into business plans and budgets, the RAS identifies boundaries beyond which management should not venture, unless specifically approved by the Board.

RISK CULTURE

Perpetual is committed to promoting an effective risk culture and in particular one that creates an environment of risk awareness and responsiveness. The ARCC is responsible for the oversight and monitoring of Perpetual's risk culture framework. The CRO has primary responsibility for the maintenance, implementation and reporting of the framework.

Promoting an effective risk culture helps to ensure all employees:

- Exhibit the right values, beliefs and actions in relation to managing risk,
- Take ownership of risk, and
- Manage risk in an effective and efficient manner.

The key elements of an effective risk culture at Perpetual are described in the table below.

Element	Description
Clear and established accountabilities	<p>Clearly defining who is responsible and accountable for managing risk across Perpetual is fundamental to ensuring risk is managed appropriately.</p> <p>Accountability and ownership are key drivers in both the establishment and maintenance of an effective control environment and management of risk.</p> <p>Defining ownership is therefore essential and at Perpetual, the Board and ARCC look to management to own and effectively and efficiently manage the risk within their business unit. Group Risk partner with the business and provide the framework, tools, advice and assistance that enables business units to effectively manage risk.</p> <p>All employees own risk in their areas of responsibility and play a role in managing risk more broadly across the organisation.</p>
Timely identification and management of risks	<p>For risk to be managed efficiently and effectively it is essential that risk is identified and managed in a timely manner.</p> <p>Business units and employees must therefore be proactive, not reactive and consideration of risk should be embedded into day to day decision making processes. If risks are not identified or managed in a timely manner, not only does it demonstrate a lack of responsiveness, it may result in relatively insignificant risks becoming material.</p>
Early escalation of issues	<p>Early escalation of issues is demonstrative of a culture that attempts to manage risk responsively.</p> <p>Early escalation is critical as it promotes an environment where issues are raised and reported so they can then be appropriately discussed and managed. The earlier issues are escalated, the quicker they can be discussed and managed.</p> <p>This helps to ensure that issues are managed proactively, effectively and efficiently and allows the downside or consequences of risk to be managed and potentially minimised. It also ensures greater transparency and allows key stakeholders, such as the Board and ARCC, to be kept informed.</p>
An encouraging and open environment	<p>In order for the above to take place, an environment that is open and encourages risk to be discussed and managed as part of the day to day decision making processes is critical.</p> <p>It is important that employees feel comfortable in raising risk and issues both within their business unit and elsewhere in the organisation.</p>
A willingness to learn from mistakes	<p>It is important that a culture exists that assesses and responds to mistakes in a manner that seeks to strengthen controls designed to minimise the risk of such mistakes recurring.</p> <p>An environment where employees are not punished for reporting issues is essential to encourage learning from mistakes.</p>

RISK BEHAVIOURS

Perpetual has developed 'The Way We Work' @ Perpetual to set out the behaviours expected from staff at the different levels of the organisation, including the behaviours expected to embed appropriate risk behaviours in all endeavours and effectively balance risk with opportunity. These risk management behaviours are aligned with Perpetual's desired Risk Culture. There are four key themes based on which the risk behaviours are measured.

Expected risk behaviours are set out with regards to the four themes across the different organisational levels at Perpetual, with the themes consisting of:

1. Manages Risk & Issues
2. Maintains the Control Environment
3. Manages Compliance Obligations
4. Applies the Risk Management Framework

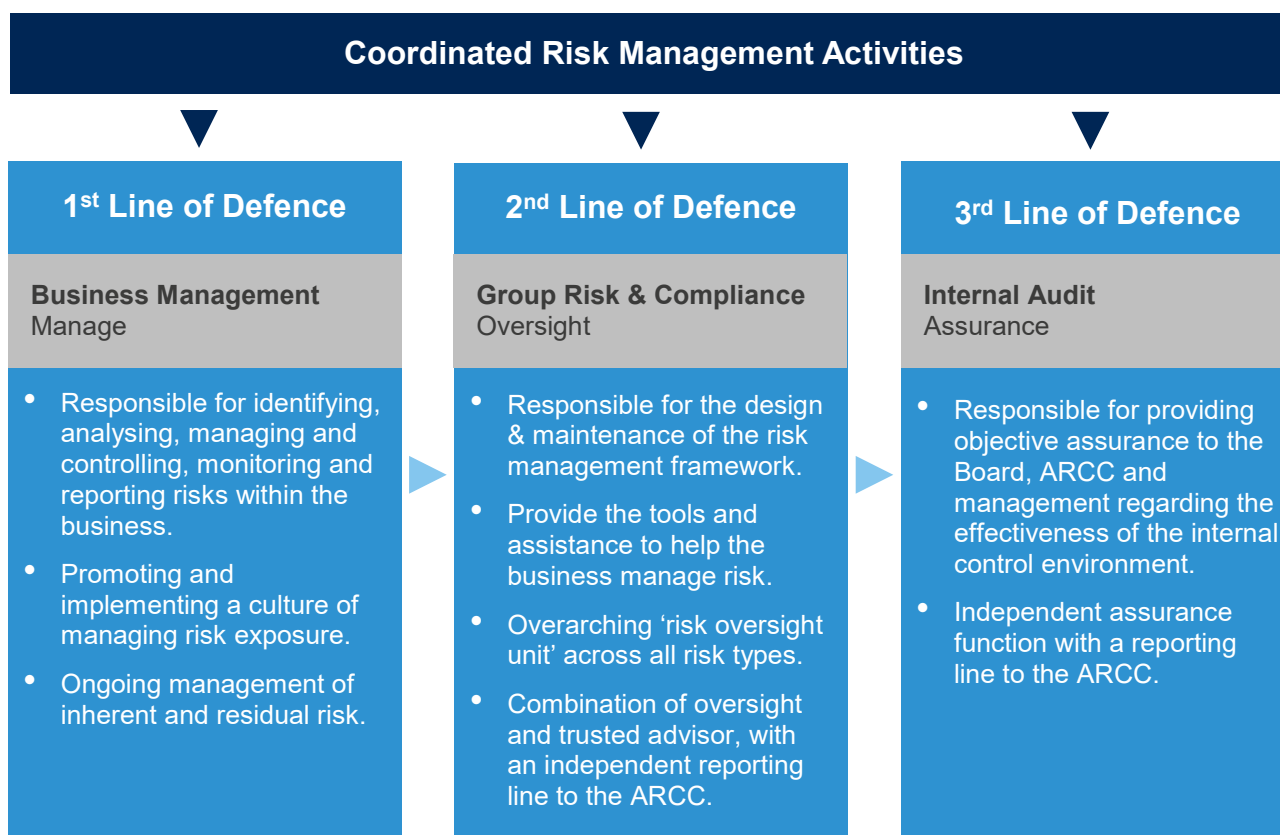
Perpetual employees have 'The Way We Work' behaviours and a risk overlay measure embedded within their performance scorecard. Individual performance against these measures is considered when assessing overall performance and incentive payments.

RISK CULTURE / BEHAVIOUR MONITORING AND REPORTING

The effectiveness of Perpetual's risk culture and risk behaviours is assessed through various mechanisms. Where risk culture and risk behaviour monitoring and reporting identifies instances where behaviour or practices are not in line with Perpetual's view of an effective risk culture, actions will be implemented to respond to these gaps. These may be associated with group wide or specific divisional gaps.

ROLES AND RESPONSIBILITIES

Perpetual has adopted a 'three lines of defence model' to implement best practice risk management. This model is summarised in the diagram below.



Business Management: Hold primary responsibility for risk management at Perpetual. Responsible for identifying, analysing, managing, monitoring and reporting all relevant risks within their business. Ultimately management have day to day responsibility for ensuring that all risks under their control are effectively managed. Issues are required to be reported through to Group Risk to allow for appropriate risk oversight. Business management refers to management within operating and support divisions.

Group Risk: Responsible for the design and maintenance of the RMF. Provide the framework, tools, advice and assistance which enables business units and management to effectively identify, assess and manage risk; and through monitoring, provides key boards, committees and management with a view of the effectiveness and efficiency of risk management through regular risk reporting.

Group Compliance: Responsible for the design and maintenance of the Compliance Risk Management Framework. Provides the framework, tools, advice and assistance which enables business units and management to meet their compliance obligations.

Internal Audit: Provides independent, objective assurance to the Board, the ARCC and management regarding the effectiveness of the internal control environment. Internal Audit also provides control related consulting services designed to improve Perpetual's operations, helping to assess whether there is an appropriate balance between risk and control, in line with Perpetual's risk appetite.

Group Legal: Provides timely and commercially focused legal advice to business units, to ensure the organisation's legal risk is effectively managed.

RISK MANAGEMENT PRINCIPLES

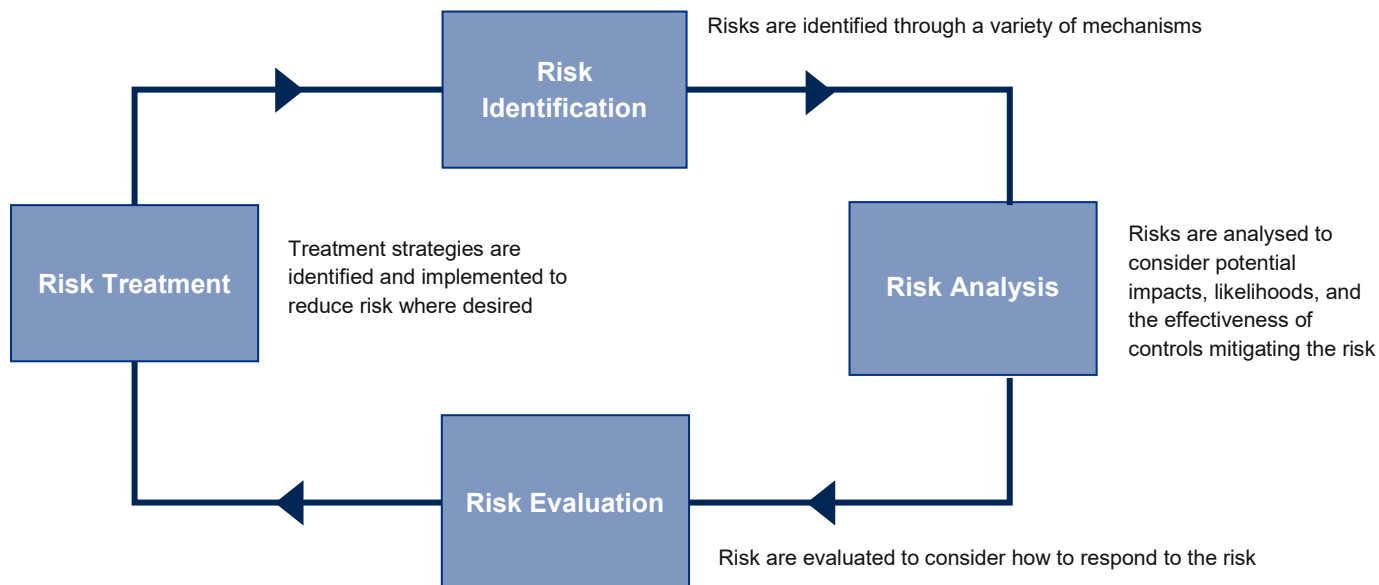
To form a portfolio view of risk, Perpetual has defined eight specific risk categories:

Risk Category	Description
Strategic	Adverse strategic decisions, improper implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect our market position and client value proposition.
Financial	Perpetual financial resources are inappropriately used, drivers of financial performance are not well understood or not managed to expectations, or financial results are inappropriately accounted for or disclosed. This risk is considered to include liquidity, market and credit risk.
Compliance, Legal & Conduct	The risk that Perpetual breaches its compliance, legal and ethical obligations (including license conditions and client commitments) leading to reputation damage, adverse regulatory outcomes or breach of contract.
Operational	The risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes (but is not limited to) fraud, business continuity and cyber risk.
Outsourcing	The risk that services performed by external service providers, including related and third parties, are not managed in line with the servicing contract or the operational standards required by the Board resulting in potential negative impacts to shareholders and / or customers.
People	Exposure to changes in personnel, including an inability to attract and retain quality and appropriate people. Inadequate succession planning strategy.
Investment	The risk of loss resulting from ineffective investment strategies, management or structures resulting in sustained under performance relative to peers and benchmarks.
Reputation	The risk arising from negative perception on the part of both existing and prospective clients, employees, counterparties, shareholders, investors, regulators or other stakeholders that can adversely affect Perpetual's ability to maintain existing or establish new client relationships and business operations.

These eight risk categories reflect a grouping most relevant to current and historical material risks faced by Perpetual. More specific risks are identified as relevant to business units, divisions and the group. The categories do not limit the breadth of risks identified, for example, technology risk would be identified within both the operational and outsourcing risk categories, fraud risk within the operational risk category and market / credit risk within the financial risk category.

RISK ASSESSMENT AND TREATMENT

Risk assessment and treatment processes under this RMF align with the International Standard ISO 31000:2018 'Risk Management Guidelines'. An overlay of this Standard compared against the RMF is provided at Appendix 3. These processes are summarised below:



RISK AND CONTROL SELF-ASSESSMENT PROGRAM

The Risk and Control Self-Assessment Program sets out Perpetual's primary approach to identify the key risks facing the organisation (across all of the 8 risk categories mentioned earlier). The process involves workshops with senior management across the organisation facilitated by Group Risk. In line with the organisation's overall approach to risk management, key risks are identified, assessed, managed and reported through this Program.

This Program also includes the identification of controls implemented to mitigate these risks and business self-assessment of the effectiveness of these controls (through controls testing).

MATERIAL BUSINESS RISKS

Key business risks that Perpetual faces are outlined in the Operating and Financial Review provided as part of annual and 6 monthly financial result reporting.

OTHER SUPPORTING FRAMEWORKS, PROGRAMS AND GROUP POLICIES

The following Frameworks, Programs and Group Policies have been developed, implemented and are regularly assessed for effectiveness to support the management of risks and related activities:

Compliance Risk Management Framework: Given the specific nature of compliance risk, a supplementary framework has been developed to help the organisation meet its regulatory obligations, including licensing obligations. Core elements of this framework which are supportive of the broader framework include:

- Dedicated Office of the Superannuation Trustee and Compliance Risk Team
- Anti-Money Laundering and Counter Terrorism Financing Program
- Regulatory Change Framework

Issues Management: The Group Policy Reporting of Issues documents the process of issue reporting across the organisation. This policy applies to all issues that may arise on a day to day basis. Issues are assessed and overseen by members of Group Risk and Group Compliance, who are responsible for assessing issues in light of the organisation's risk and compliance obligations. Significant operational risk failures are dealt with on a case by case basis, with material issues being reported to the ExCo and ARCC.

Controls Assurance Program: Assesses controls owned and implemented by management to mitigate risk. The Controls Assurance Program provides standards and guidance for 2nd Line Risk assurance activity undertaken by Group Risk and sets out to complement other elements of the RMF through the independent review of:

- Controls captured by the Risk and Control Self-Assessment Program
- Closure of material issues and reported breaches
- Compliance arrangements and responsiveness to regulatory change (including AML/CTF) and

Business Continuity Program (BCP): Used to counter any interruptions to business activities and protect critical business processes from the effects of major failures or disasters. The BCP provides guidance on implementing and maintaining BCP procedures, including; business impact assessments, crisis response procedures, and recovery procedures.

Information Security Program: Defines a structure for managing Information Security (IS), its components and their interrelationships. It further defines security roles and responsibilities and provides a central reference point for all IS activities and related documentation. IS objectives are set out to protect Perpetual from any adverse impact on its reputation and operations arising from failures of confidentiality, integrity and availability of information and systems.

Insurance Program: Defines a structure for managing Perpetual's corporate insurance arrangements.

Whistleblowing: Policy and procedures encourage employees to raise concerns with respect to suspected misconduct directly with their manager, independent senior management or via an externally managed hotline. The policy also sets out the processes to protect whistleblowers who report suspected misconduct.

Policies and Procedures: Support the workings of the RMF as they communicate risk management expectations. Policies exist at both an organisation and Operating Division level.

Risk Training and Communication: Group Risk and Group Compliance coordinate risk training initiatives across the organisation which help business and support divisions understand risk management. This includes presentations and online training focused on risk, issues and policies to foster a culture conducive to risk awareness and responsiveness. All new employees receive targeted risk 'on-boarding' training.

RISK AND COMPLIANCE SYSTEM

To support the effective management of risk and compliance obligations, Perpetual has invested in a company wide risk and compliance system (Archer). Archer helps the business manage their risk and control environment and forms the basis for operational risk reporting. The system includes a variety of modules that support the management and delivery of event management, risk management, compliance management, complaints management, good value claims and business continuity management.

CONTINUOUS IMPROVEMENT

As outlined earlier, the effectiveness and output of the RMF is overseen on an ongoing basis through supervision of the Board and the ARCC. Dedicated day to day responsibility for the maintenance and improvement of the RMF rests with the CRO. To ensure ongoing alignment with best practice the RMF is independently reviewed on a periodic basis.

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