



Audit and Risk Committee Charter

MFF Capital Investments Limited ACN 121 977 884

16 May 2018

Audit and Risk Committee Charter

1. Introduction

- 1.1 MFF Capital Investments Limited ("Company") is an ASX-listed investment company.
- 1.2 The Company has appointed various external service providers ("**Service Providers**") to support its business activities and provide the following:
- (a) research, trade execution, and corporate administration services (including company secretarial services);
 - (b) portfolio administration services;
 - (c) registry services; and
 - (d) custodian and prime broker services.

The services at (a) are provided by Magellan Asset Management Limited.

- 1.3 The Audit and Risk Committee ("**Committee**") is a committee of the Board of Directors of the Company ("Board").
- 1.4 The Board has established the Committee under the Company's constitution.
- 1.5 This Charter sets out the scope of the Committee's responsibilities in relation to the Company.
- 1.6 The role of the Committee is not an executive role.

2. Objective

- 2.1 The objective of the Committee is to assist the Board to discharge its responsibilities in relation to:
- (a) effective management of financial and operational risks;
 - (b) obtaining assurance in respect of the effectiveness of the internal control environment;
 - (c) oversight of accounting, tax and compliance policies, professional accounting and tax treatments adopted by the Company and, reports on internal and external audits;
 - (d) compliance with laws and regulations relating to financial, tax and risk & compliance of the Company; and
 - (e) high standards of business ethics and corporate governance.
- 2.2 The Committee will:
- (a) maintain and improve the quality, credibility and objectivity of the financial accountability process;
 - (b) promote a culture of compliance;
 - (c) ensure effective communication between the Board, the Managing Director and the Service Providers ;
 - (d) ensure effective audit functions and communications between the Board and the

auditors (as and when they are appointed);

- (e) ensure compliance strategies and compliance functions performed on behalf of the Company are effective; and
- (f) ensure that Directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them.

2.3 The Committee does not have responsibility for assisting the Board in overseeing the effectiveness of the management of the Company's market and credit risks. These matters are dealt with directly at Board level.

2.4 In fulfilling its responsibilities, the Committee receives regular reports from the Managing Director, Service Providers and the auditors and will periodically meet with the external auditors, and if applicable, the Internal Auditor.

3. **Internal control and risk management**

The Committee will, except in relation to credit and market risks:

- (a) assess whether the Company is setting an appropriate 'control culture';
- (b) oversee the establishment and implementation of risk management and internal compliance and control systems and ensure there is a mechanism for assessing the efficiency and effectiveness of those systems;
- (c) assess the overall effectiveness of the internal control and operational risk management frameworks and consider whether to implement any recommendations made by the external auditors;
- (d) obtain appropriate assurance in respect of the overall effectiveness of the Company's and the Service Providers' internal control and operational risk management frameworks;
- (e) approve and recommend 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;
- (f) regularly review the Company's risk profile;
- (g) ensure 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) regulatory compliance (legal risk);
 - (iv) changes in community expectation of corporate behaviour (reputation risk);
 - (v) being unable to fund operations or convert assets into cash (liquidity risk);

- (h) make recommendations to the Board in respect of the Company's risk appetite;
- (i) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies;
- (j) monitoring and ensuring compliance with corporate governance requirements;
- (k) ensuring the Company's risk management systems and compliance processes, including internal controls, are operating efficiently and effectively;
- (l) review the findings of examinations by regulatory agencies and discuss any reports concerning material violations of laws and regulatory requirements that impact on financial reporting, tax or compliance with legislation of the Company and evaluate the adequacy of the Company's response to identified breaches;
- (m) make inquiries to evaluate the completeness and quality of financial and operational information being provided to the Board, make recommendations for improvements and seek advice from the external auditors as required;
- (n) make recommendations to the Board in relation to the Company's insurance program; and
- (o) undertake reviews as directed by the Board.

4. **Service providers**

The Committee is responsible for:

- (a) reviewing, approving and recommending agreements with Service Providers to the Board for execution;
- (b) reviewing at regular intervals relevant aspects of agreements with Service Providers; and
- (c) monitoring and assessing performance of Service Providers.

5. **Financial reporting**

The Committee is responsible for:

- (a) reviewing financial reports and financial information prepared by management and the Service Providers and understanding the impact of significant accounting and reporting issues, including recent professional and regulatory pronouncements on the financial reports for the Company;
- (b) assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, to ensure compliance with the financial reporting framework;
- (c) obtaining an independent opinion from the external auditor about:
 - (i) the acceptability and appropriateness of the Company's accounting policies and principles; and

- (ii) the clarity of the Company's current or proposed financial disclosure practices; and
- (d) reviewing and discussing with management, the Service Providers, and the external auditor (as required) the areas of significant estimates or judgments, non-compliance with laws and regulations, accounting and tax matters and risks, and the management of those risks;
- (e) understanding, and if considered necessary, obtain appropriate assurance in respect of the processes used to reach the opinions in certifications provided by the Managing Director and Service Providers;
- (f) reporting to the Board of matters which may significantly impact the financial condition of the Company;
- (g) reviewing information from advisers and external and Internal Auditors (as appropriate) before any market releases are approved by the Board;
- (h) monitoring the continuous disclosure process adopted by the Board and recommending to the Board any necessary changes;
- (i) recommending to the Board whether the financial reports of the Company are in order for adoption; and
- (j) reviewing compliance with all related party disclosures requirements (where applicable) established by accounting standards and the *Corporations Act 2001 (Cth)*.

6. **External audit**

The Committee is responsible for:

- (a) recommending to the Board for approval the appointment or removal of an external auditor;
- (b) reviewing and recommending to the Board the terms of engagement (including fees) of the external auditor;
- (c) reviewing and discussing with the external auditor the annual audit plan including the scope of the external audit and identified risk areas;
- (d) receiving input from Magellan Asset Management Limited on the performance of the external auditor;
- (e) reviewing the independence and performance of the external auditor annually or as required;
- (f) receiving and reviewing the reports of the external auditor and ensuring significant findings and recommendations made, are appropriately acted on;
- (g) reviewing and advising, for the purposes of the Directors' report to be included in the annual financial report, the provision of all non-audit services by or on behalf of the external auditor during the financial year and whether those services comply with the statutory auditor independence requirements and the Company's policy, together with the reasons why;

- (h) meeting separately with the external auditor to discuss matters as required and discussing with the external auditor matters arising in the normal course of audit work, including any restriction on audit scope or access to information;
- (i) where appropriate, ensuring that the external audit engagement partners are rotated in accordance with relevant statutory requirements, and otherwise after a maximum of five years' service; and
- (j) reviewing all representation letters signed by the Managing Director and Service Providers.

7. **Internal audit**

Where an internal audit function is considered appropriate, the Committee will review and approve the appointment of an Internal Auditor. The Internal Auditor will report directly to the Committee.

The Committee is responsible for:

- (a) evaluating the requirement for an internal audit function and, if required, the process for monitoring and assessing the effectiveness of the internal audit function;
- (b) the engagement and dismissal of any chief internal audit executive or third party internal audit service provider ("Internal Auditor");
- (c) ensuring any Internal Auditor is independent of the external auditor;
- (d) overseeing the scope of the internal audit (including reviewing the internal audit team's mission, charter, qualifications and resources);
- (e) reviewing and approving the annual internal audit plan and ensure that it addresses key areas of risk and that adequate resources have been assigned;
- (f) reviewing the internal audit reports and ensuring significant findings and recommendations made, are appropriately acted on;
- (g) meeting separately with internal audit to discuss matters as required; and
- (h) monitoring and reporting to the Board on the responsiveness to internal audit findings and recommendations.

8. **Other responsibilities**

The Committee is responsible for:

- (a) overseeing the implementation of the Company's Code of Conduct and assessing compliance with it;
- (b) overseeing the development and implementation of ethical guidelines and corporate governance policies;
- (c) assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability; and
- (d) reporting to the Board on any industry development affecting the control environment.

9. Committee composition

- 9.1 The Committee must comprise:
- (a) at least three directors;
 - (b) all non-executive directors; and
 - (c) a majority of independent directors.
- 9.2 The Board will appoint the chairperson. The chairperson must be an independent director and may not be the chairperson of the Board.
- 9.3 The secretary of the Company will be the secretary of the Committee.
- 9.4 The Managing Director and Portfolio Manager has a standing invitation to attend each meeting, subject to exclusion at the discretion of the Committee Chairman as may be necessary from time to time.
- 9.5 The Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.
- 9.6 Each member of the Committee should be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 9.7 Each member of the Committee should have an appropriate understanding of the funds management industry.
- 9.8 A member may act by their alternate.

10. Performance appraisal

- 10.1 The Committee will conduct an appraisal of the performance of its members, adherence to its Charter and achievement of its objectives every 2 years.

11. Committee meetings

- 11.1 The Committee will meet a minimum of four times each year.
- 11.2 A quorum for a Committee meeting is two Committee members.
- 11.3 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.
- 11.4 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 2001 (Cth)*.
- 11.5 The Committee may invite other persons it regards appropriate to attend Committee meetings. Representatives of Magellan Asset Management will and other Service Providers may be invited to join meetings of the Committee, and may be invited by the chairperson to speak at meetings of the Committee, but will not be entitled to vote on matters put to the Committee, and shall leave a meeting if requested to do so by the chairperson.

11.6 The secretary will circulate the agenda and papers a reasonable period in advance of each meeting.

12. Minutes of Committee meetings

12.1 The Committee must keep minutes of its meetings.

12.2 Draft minutes of each Committee meeting must be completed in a reasonable timeframe and included in the papers for the next full Board meeting after each meeting of the Committee.

12.3 Minutes must be distributed to all Committee members, after the Committee chairperson has approved them.

12.4 Minutes, agenda and supporting papers are available to Directors upon request to the Committee secretary, except if there is a conflict of interest.

13. Reporting to the Board

The Committee chairperson must report the Committee's findings to the Board after each Committee meeting.

14. Access to information and independent advice

14.1 The Committee may seek any information it considers necessary to fulfill its responsibilities.

14.2 The Committee has access to:

- (a) the Service Providers to seek explanations and information; and
- (b) the external auditors and, if applicable the Internal Auditor, to seek explanations and information from them, without representatives of the Service Provider being present.

14.3 The Committee may seek professional advice from appropriate external advisers, at the Company's cost.

15. Review and changes to this charter

15.1 The Committee will review this Charter annually and recommend any amendments to this Charter to the Board for approval.

15.2 The Board may change this Charter from time to time by resolution.