



## **HYPERION FLAGSHIP INVESTMENTS LIMITED**

### **AUDIT AND COMPLIANCE COMMITTEE**

## **CHARTER**

### **1. OVERALL PURPOSE / OBJECTIVES**

Hyperion Flagship Investments Limited is a listed investment company providing investors with access to a diversified Australian investment portfolio.

The Audit and Compliance Committee will assist the board in fulfilling its oversight responsibilities in respect to the company's financial reporting, risk review, control and audit functions. The Committee will review the financial reporting process, the system of internal control and management of risks, the audit process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Committee will maintain effective working relationships with the board of directors, management, service providers and the external auditors.

To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

### **2. AUTHORITY**

The board authorises the Audit and Compliance Committee, within the scope of its responsibilities, to:

- Seek any information it requires from:
  - any employee (and all employees are directed to co-operate with any request made by the audit committee)
  - external parties
- Obtain outside legal or other professional advice
- Ensure the attendance of company officers at meetings as appropriate.



### **3. ORGANISATION**

#### **Membership**

- 3.1 The Committee will comprise at least 2 members who will all be independent non-executive directors.
- 3.2 Each member should be appropriately qualified or experienced and capable of making a valuable contribution to the committee.
- 3.3 All members will be independent of management.
- 3.4 The Chair of the Committee will be nominated by the board from time to time.
- 3.5 Members will be appointed for a 2 year term of office.
- 3.6 A quorum for any meeting will be 2 members.
- 3.7 The secretary of the Committee will be the company secretary, or such other person as nominated by the board.
- 3.8 Membership of the committee will be reviewed from time to time.

#### **Attendance at Meetings**

- 3.9 The Committee may invite such other persons (eg the CEO, CFO,) to its meetings, as it deems necessary
- 3.10 The external auditors should be invited to make presentations to the Committee as appropriate
- 3.11 Meetings shall be held not less than 4 times a year. Special meetings may be convened as required. The external auditors may convene a meeting if they consider that it is necessary.
- 3.12 The proceedings of all meetings will be minuted.



#### **4. ROLES AND RESPONSIBILITIES**

*The Audit and Compliance Committee will:*

##### **Financial Reporting**

- 4.1 Review the Company's accounting principles and practices to determine whether they are appropriate, and consider any special treatment of unusual or complex transactions.
- 4.2 Review the annual and interim financial statements and determine whether they are complete and consistent with the information known to committee members.

##### **External Audit**

- 4.3 Oversee the relationship with the Company's external auditors.
- 4.4 Review the external auditors' proposed audit scope and approach.
- 4.5 Make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor.
- 4.6 Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 4.7 Ensure that recommendations by the external auditors are communicated to management and responded to.

##### **Public Reporting Communications**

- 4.8 Review material required to be made publicly available (such as annual and half yearly reports, Appendix 4D reports to ASX).

##### **Internal Control**

- 4.9 Review the company's internal controls relating to its accounting activities, including the effectiveness and/or any weaknesses or breaches.
- 4.10 This review also extends to the company's major service provider Hyperion Asset Management Limited (HAML)



### **Compliance with Laws and Regulations**

- 4.11 Review the Company's policies and practices in meeting its legal and regulatory compliance obligations, including continuous disclosure requirements to the ASX and reporting to ASIC and the ATO.

### **Risk Management**

- 4.12 Consider the Company's risk management policies and practices as they relate to investment risk, concentration risk and operational risk in conjunction with the Risk Management Framework
- 4.13 Review and approve, if appropriate, conflicts of interest and related party transactions.

### **Management Oversight**

- 4.14 Review the Company's Investment Policy, including portfolio investment risk parameters (as provided to Hyperion Asset Management Limited)
- 4.15 Review of service providers' performance against Management Service Agreement, including "primary" and "secondary" services.
- 4.16 Review Management Service Agreements with service providers.

### **Committee Self Review**

- 4.17 Review at least annually and update the charter subject to Board approval of changes.
- 4.18 Evaluate the committee's own performance on a regular basis.

## **5. REPORTING REQUIREMENTS**

- 5.1 Regularly update the board about committee activities and make appropriate recommendations.
- 5.2 Ensure the board is aware of matters which may significantly impact the financial condition or affairs of the business.

November 2009