



**Morphic Ethical Equities Fund Limited
(ACN 617 345 123) (Company)
Audit and Risk Committee Charter**

Introduction

The Audit and Risk Committee ('Committee') has been established by the Board of directors of Morphic Ethical Equities Fund Ltd ('MEC') to oversee and monitor its risk management and audit processes, including its internal control activities.

This charter has been approved by the MEC's Board of directors and outlines the Committee's role and responsibilities, composition, structure and membership requirements, authority, processes and procedures.

Role and responsibilities

The Committee assists the Board by:

- developing and monitoring financial and risk management policies;
- making recommendations to the Board for resolution;
- assisting the Board exercise due care, diligence and skill in relation to its financial reporting and the risk management of its assets and capital.

The Committee will assist MEC's governance and exercise of care, diligence and skill in relation to:

- financial reporting to users of financial reports;
- application of accounting policies, including taxation;
- the internal control system;
- the risk management system;
- asset and capital protection; and
- compliance with laws, regulations, standards and best practice guidelines.
- reviewing the need for an internal audit function, and if one is required, providing a structured reporting line for internal auditor and monitoring their objectivity and independence;
- overseeing the effectiveness of the audit function and providing a forum for communication between the Board and the external and internal auditors;

- ensuring the independence of the external auditor;
- assuring the quality of internal and external reporting of financial and non- financial information;
- designing, implementing, reviewing and supervising MEC's risk management framework to protect MEC's assets and capital and to ensure the proper and regular oversight of its service providers;
- regularly reviewing the effectiveness of the risk management framework;
- the implementation and monitoring of legal and regulatory compliance programs; and
- the arrangement and purchase of appropriate directors and officers insurance on customary terms on an annual basis.

More specific responsibilities are listed in the appendix.

Authority

The Board authorises the Committee, through the Chair, to:

- oversee the appointment, compensation and work of any registered company auditor employed by the organization;
- resolve any disagreements between management and the auditor on financial reporting;
- pre-approve all auditing and non-audit services in accordance with Board policy;
- retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation; and
- seek any information it reasonably requires from service providers or from external parties.

Composition

The Committee will consist of at least two members of the Board.

The Board will appoint Committee members and the Chair of the Committee.

Membership of the Committee will be confirmed annually by the Board in alignment with the Annual General Meeting.

Each Committee member will be non-executive and financially literate.

Membership of the Committee is reviewed annually.

Members are eligible for reappointment.

The majority of members should have an understanding of the industry in which the entity operates.

The Chair of the Committee must be an independent non executive director, and must not also be the Chair of the Board.

Invitees

An invitation to attend meetings is extended to all members of the Board.

Other attendees may be invited, including:

- the business manager
- the company secretary
- the external audit provider
- if applicable, the internal auditor.

At times, executives will be invited to leave the meeting to allow the Committee to have a closed session either with or without the presence of the external audit provider.

Meetings

The Committee will meet at least four times a year, ideally prior to the Board meeting.

Ad hoc meeting will be convened if necessary.

A quorum will be more than half the members.

The auditors may request a meeting and such a request is to be met.

In the Chair's absence from a meeting, the members present will select a Chair for that particular meeting.

Members are expected to attend each meeting in person, by teleconference or by videoconference.

The notice and agenda of a meeting will include relevant supporting papers.

The Committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities.

The members may meet separately with auditors.

Voting

Any matters requiring decision generally will be decided by consensus, or if a consensus is not achievable, then by a majority of votes of members present.

Conflicts of interest

Committee members will identify and disclose relevant interests and any conflicts arising from those interests at the commencement of each meeting.

Ongoing relevant interests and conflicts of interest need not be disclosed at each meeting once acknowledged.

Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions on the issue where a conflict exists.

Secretariat duties

The company secretary (or other appropriate designated person) will act as secretary to the Committee.

The secretary will assist the Chair to develop and distribute agendas, papers, minutes and calendar.

Minutes

Minutes must be prepared, approved by the Chair and circulated to the members within two weeks of a meeting.

The minutes must be ratified at the next meeting of the Committee and signed by the Chair of that next meeting.

Reporting to the Board

The Chair of the Committee is to report to the Board following each Committee meeting.

The manner of reporting may be by distribution of a copy of the minutes supplemented by other necessary information, including recommendations requiring Board action and/or approval.

The Chair is to organise the supply of information regarding the Committee which is to be included in the company's annual report.

Reviews

The Committee will review its performance on an annual basis.

The review may be conducted as a self- assessment and will be coordinated by the chair.

The assessment may seek input from any person. Training needs will be monitored by the chair.

The Committee will review this charter and its composition annually to ensure that it remains consistent with the Board's objectives and responsibilities.

The Board should consider the Committee's review and either approve or further review the Committee's charter and/or composition.

Appendix - Responsibilities of the Committee

The Committee will carry out the following responsibilities:

Financial reporting

- Review significant financial and reporting issues, including unusual transactions and highly judgmental areas, and recent professional and regulatory announcements and understand their effect on the financial report.
- Review compliance with disclosure obligations.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the draft annual financial report.
- Assess significant estimates and judgements in financial reports by asking management about the process used in making material estimates and then ask the internal and external auditors the basis for their conclusions on the reasonableness of management's estimates.

Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.

- Consider the appropriateness of the accounting principles and policies adopted and any amendments, as well as the methods of applying those principles and policies ensuring they are in accordance with the stated financial reporting framework.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- Assess management explanations for unusual transactions or significant variances from prior year results or the current year's budget.
- Assess the management of non-financial information in documents to ensure the information does not conflict with the financial statements or other documents.
- Recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

Internal control and risk management

Maintain a risk register of MEC's key financial, strategic and operational risks;

- Assess the processes in place to identify, mitigate and review those key financial, strategic and operational risks.

Ensure that MEC's risk management system is effective and that significant or material risks are reported to the Board.

Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external auditors.

Obtain regular updates from service providers and professional advisers about compliance matters.

External audit

Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider.

Review the external audit provider's fee and be satisfied that an effective audit can be conducted for the fee.

At the start of each audit, agree the terms of engagement with the provider and review the annual engagement letter.

Review and confirm the independence of the external audit provider by obtaining statements from the provider on relationships between the auditor and the company (including non-audit services) and discussing the relationships with the auditor.

Monitor and critique management's responsiveness to the external audit provider's findings and recommendations

- Provide the opportunity for Committee members to meet with the external audit provider without management personnel being present at least once a year.
- Advise the Board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as appropriate.

Related party transactions

Review and monitor the propriety of related party transactions.

Corporate governance

At its request, assist the Board ensure that the expected standard of corporate governance is met.

Other responsibilities

- Perform other activities related to this charter as requested by the Board.
- Institute and oversee special investigations as needed.