

# Audit & Risk Management Committee Charter

**Audit & Risk Management Committee Charter**

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## 1 INTRODUCTION

The Board of Directors (**Board**) of AusNet Services Limited (**Company**) has established an Audit and Risk Management Committee (**Committee**). This Charter sets out the membership, authority responsibilities and functions of the Committee.

## 2 OBJECTIVES

The primary function of the Committee is to assist the Board in discharging its statutory and oversight responsibilities relating to:

- (a) the integrity of the Company's financial reporting process;
- (b) the audit process (including the Company's relationship with external auditors and performance of internal audit);
- (c) the effectiveness of the Company's systems of internal controls;
- (d) the Company's processes for monitoring compliance with applicable laws, regulations and codes of conduct; and
- (e) the effectiveness of the Company's risk management systems.

## 3 AUTHORITY

- (a) The Committee has authority to perform activities within the scope of the responsibilities set out in this Charter and make recommendations to the Board.
- (b) The Committee is entitled to:
  - (1) seek advice of the Company's auditors and solicitors; and
  - (2) engage, or procure the engagement of, independent advisers,as considered necessary or desirable by the Committee to assist it in discharging its responsibilities.
- (c) The Committee has unrestricted access to management, employees and company information as required and full discretion to invite any Director or officer, or the internal and external auditors (with or without management present) to attend its meetings.

## 4 MEMBERSHIP OF THE COMMITTEE

- (a) Unless otherwise determined by the Board, the Committee shall comprise
  - (1) a minimum of three members;
  - (2) only non-executive Directors; and
  - (3) a majority of Directors who are independent
- (b) All persons appointed to the Committee will be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities. At least one member will have relevant qualifications and experience (a qualified accountant or other finance professional with experience of financial and accounting matters) and some members will have an understanding of the industries in which the Company operates.
- (c) The members of the Committee shall be appointed by the Board. The Board will appoint the Chairman of the Committee. The Chairman of the Committee will be an independent non-executive Director and will not be the Chairman of the Board.
- (d) If a Committee member who is a Director ceases to be a Director, s/he shall cease to be a member of the Committee with effect from the same date.

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- (e) Non-Executive Directors who are not members of the Committee may attend meetings of the Committee provided there is no conflict of interest.
- (f) Members of management may attend meetings of the Committee by invitation.

## **5 ADMINISTRATIVE MATTERS**

- (a) The Committee will meet at least four times each year, or as often as the Committee members deem necessary to undertake its role effectively.
- (b) Meetings shall be convened upon the request of any member of the Committee or the external auditor, by giving at least five days' written notice to Committee members.
- (c) A quorum of the Committee will comprise any three Committee members. If the Chairman is not able to attend a meeting, the Chairman, or the members of the Committee present, will appoint another Committee member who is an independent non-executive Director to act as Chairman at that meeting. However, all members are expected to attend (either in person or by conference call or similar means) and participate at all meetings.
- (d) Meetings of the Committee may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution. A circular or written resolution signed by all Committee members shall be effective as a resolution duly passed at a meeting of the Committee and may consist of several documents in like form, each signed by one or more members. The expression 'written' includes email or other electronic means.
- (e) Each member of the Committee will have one vote. The Chairman will not have a casting vote. If there is a tied vote, the motion will lapse.
- (f) The Company Secretary of the Company (or a suitable delegate) will attend all Committee meetings as minute secretary. The minute secretary will keep minutes of proceedings and resolutions of the Committee. Any Director may inspect the minutes of the Committee.

## **6 REPORTING**

### **6.1 Reporting by the Committee to the Board**

- (a) The Committee will:
  - (1) via the Chairman, report to the Board on all matters relevant to the Committee's role and responsibilities;
  - (2) advise the Board in a timely manner of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company; and
  - (3) report and, as appropriate, make recommendations to the Board after each Committee meeting on matters dealt with by the Committee.
- (b) Minutes of Committee meetings will be included in the papers for the next full Board meeting.

### **6.2 Reporting by internal audit and external auditors**

For the purpose of supporting the independence of their function, the external auditors, the Head of Internal Audit and the EGM Governance and Company Secretary may at all times report directly to the Committee without the need to involve members of management of the Company.

## **7 RESPONSIBILITIES AND FUNCTIONS**

### **7.1 Financial Statements**

The responsibilities and functions of the Committee with respect to financial statements are:

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- (a) to review, with the Chief Financial Officer, other relevant members of management and the external auditors, the appropriateness of the accounting principles adopted in the composition and presentation of financial reports and approve all significant accounting policy changes;
- (b) to receive declarations provided by the Managing Director and Chief Financial Officer in relation to the half year and full year financial statements prior to recommending the financial statements to the Board;
- (c) to review the adequacy and effectiveness of the Company's risk management, internal compliance and control systems applicable to the preparation of financial statements and the process and evidence the Managing Director and Chief Financial Officer adopted to satisfy themselves of these factors;
- (d) to review with the Chief Financial Officer and the external auditors the statutory financial reports, including:
  - (1) significant accounting and reporting issues, and their impact on the financial statements;
  - (2) the annual and half-yearly financial statements of the Company, including the notes to the financial statements, and consider whether they reflect appropriate accounting principles; and
  - (3) the results and findings of audits and reviews undertaken by the external auditor, including the auditors' reports;
- (e) to recommend to the Board whether to approve the annual and half-yearly financial reports together with any related information to be sent to shareholders and/or released to the ASX and/or SGX-ST; and
- (f) to review, with the Chief Financial Officer, and approve the annual Infrastructure Entity Disclosure in accordance with ASIC Regulatory Guide 231: Infrastructure Entities: Improving Disclosures for Retail Investors.

**7.2 Internal Audit**

The responsibilities and functions of the Committee with respect to the internal audit function are:

- (a) to review and approve the appointment, replacement, reassignment or dismissal of the Head of Internal Audit;
- (b) to review the assessment of performance and remuneration of the Head of Internal Audit, as recommended by the Managing Director, and review the overall effectiveness and objectivity of Internal Audit;
- (c) to review and approve the annual internal audit plan, which will include the audit scope and approach, and the co-ordination of the audit effort between the external and internal auditors;
- (d) to review with the Head of Internal Audit and other relevant senior managers (as appropriate):
  - (1) significant internal audit findings and recommendations, together with management's responses thereto;
  - (2) the results of the internal audit review and evaluation of the Company's system of internal controls;
  - (3) any changes required in the planned scope of the annual internal audit plan and any difficulties encountered in the course of the reviews, including any restrictions on the scope of the internal audit department's work or access to required information or materials; and
  - (4) the internal audit department budget and staffing to ensure its adequacy;
- (e) to review and approve any changes to the Internal Audit Charter.

**7.3 External Audit**

The responsibilities and functions of the Committee with respect to external audits are:

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- (a) to recommend to the Board the appointment, re-appointment or removal of the external auditors and determine the terms of their appointment, as well as to review the scope and results of the audit, its adequacy and cost-effectiveness;
- (b) to review the Auditor Independence Policy (**attached**) and provide assurance to the Board of compliance with that Policy;
- (c) to request from the external auditor, at least twice a year, a report which sets out any matters that may affect its independence;
- (d) to review the nature and extent of any non-audit services provided by the external auditors, seeking to balance the maintenance of independence and objectivity, and value for money;
- (e) to review the annual external audit plans, including any changes to those plans;
- (f) review and approve the external audit fees and seek appropriate assurance that a comprehensive and complete audit can be completed for the agreed fee;
- (g) to review at the completion of the annual statutory audit, with the Chief Financial Officer and external auditors:
  - (1) the results of the audit review and evaluation of the system of internal accounting controls together with management's responses thereto;
  - (2) the adequacy and appropriateness of assistance and co-operation given by management to the external auditors; and
  - (3) any significant changes required in the external auditors' audit plan, any serious difficulties or disputes with management encountered during the course of the audit and their resolution, and any other matters related to the conduct of the audit; and
- (h) to review and approve any changes to the external auditors' terms of reference.

**7.4 Risk Management and Compliance**

The responsibilities and functions of the Committee with respect to risk management and compliance are:

- (a) to review and approve the Company's risk management and compliance policies and frameworks;
- (b) to review the adequacy of disclosure of information and effectiveness of the system of management and internal controls in identifying, assessing, monitoring and managing significant risks;
- (c) to satisfy itself that management has developed and implemented:
  - (1) a procedure for identifying risks relevant to the Company's businesses and controlling their financial or non-financial impacts on the Company;
  - (2) a sound system of internal control, management of business risks and safeguard of assets;
  - (3) a system for reporting and investigating breaches of the Company's compliance and risk management procedures and policies;
  - (4) a process by which there is a periodic review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
  - (5) a culture of risk management and compliance throughout the Company, including embedding risk management in all business decision making and business planning; and
  - (6) a system in which there are adequate resources to support the risk management and compliance functions and enable proper remedial action to be undertaken to redress areas of weakness;
- (d) to review, with the EGM Governance and Company Secretary and management, the Company's framework for monitoring compliance with the applicable laws and regulations;

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- (e) to oversee the implementation and operation of the Code of Conduct, Fraud and Corruption Control Policy and Whistleblower Policy, including reviewing any incident involving fraud, misconduct or other breakdown of the Company's internal controls;
- (f) to review and approve the structure and adequacy of the Company's insurance program, having regard to the Company's business and the insurance risks associated with that business;
- (g) review and oversee the Company's tax risk management practices; and
- (h) monitor the financial performance of the Company's defined benefit schemes.

### 7.5 Related Party Transactions

- (a) to review and approve (if required) all related party transactions involving the Company reported to the Committee or notified pursuant to internal controls;
- (b) The Chairman of the Committee may approve transactions, up to an amount of \$100,000 per transaction, with related parties, provided that:
  - (1) the Chairman is satisfied that the related party transaction complies with statutory requirements, including the "arm's length" exception in section 210 of the Corporations Act; and
  - (2) the aggregate value of such transactions approved by the Chairman but not endorsed by the Committee does not exceed an amount of \$1,000,000 at any time.
- (c) The Committee may subsequently endorse related party transactions approved by the Chairman. Such transactions are not included in calculating whether the above authority limit for the Chairman has been breached.

### 7.6 Continuous Disclosure

The Committee will consider matters reviewed and discussed at each meeting, with particular attention to emerging and changing circumstances, and consider whether any disclosures are required in respect of those matters.

## 8 REVIEW

The Committee will:

- (a) Regularly review this Charter (at least every two years) and make recommendations to the Board; and
- (b) The Committee will review its performance on an annual basis against the requirements of this Charter and in accordance with any other review process approved by the Board. The findings of the annual review will be reported to either the Board or the Nomination Committee, as determined by the Board.

## 9 SCHEDULE OF REVISIONS

Revision	Date	Details of Change
1	12/12/2005	Charter approved by Board.
2	22/11/2006	Amendments approved by Board.
3	30/01/2008	Amendments approved by Board.
4	29/01/2009	Amendments approved by Board.
5	27/01/2011	Amendments approved by Board.
6	8/11/2011	Amendments approved by Board.
7	20/09/2012	Amendments approved by Board.
8	9/09/2014	Amendments approved by Board.
9	18/03/2016	Amendments approved by Board.
10	14/11/2017	Amendments approved by Board.

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**AUDITOR INDEPENDENCE POLICY**

This policy is intended to maintain the independence of the Company's external auditors by regulating the provision of non-audit services by the external auditors.

For the purposes of this Policy, the term "auditors" includes an individual, a firm or a company involved in the audit of the Company.

This Policy provides guidance to both management and the Audit and Risk Management Committee (**ARMC**) by defining:

- Audit Services – services considered to be within the scope of audit services;
- Prohibited Services – services which may not be provided by the external auditors; and
- Permissible Non-Audit Services – services which may be provided by the external auditors, with the prior approval of the ARMC Chairman.

It also sets out the Company's policy on auditor rotation.

**Audit Services**

The external audit engagement encompasses the external auditors' review of the half-yearly financial statements, the audit of the annual financial statements and the audit and review of regulatory returns in accordance with the annual audit plans and terms of reference approved by the ARMC pursuant to its charter. Any services included in, or necessarily incidental to, the terms of that engagement are to be regarded as Audit Services.

**Prohibited Services**

The external auditors must not provide services which are in conflict with their role as statutory auditors or that would otherwise create a perceived or real threat to the independence of the external auditors. These services include all areas in which the auditors may ultimately be required to express an opinion of their own work. Examples of services that may not be performed by the external auditors include (without limitation):

- management consulting;
- IT systems design or implementation;
- valuation services (except where related solely to tax affairs);
- bookkeeping, accounting and payroll services;
- broker, dealer or investment advisory services;
- litigation or legal advocacy services;
- internal audit services;
- actuarial services;
- fairness opinions; and
- preparation of sale documentation.

**Permissible Non-Audit Services**

The Chief Financial Officer or Managing Director may approve the engagement of the external auditors to provide services which are not:

- Audit Services; or
- Prohibited Services,



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provided that the aggregate value of such services approved by the Chief Financial Officer or Managing Director does not exceed an amount of \$100,000 at any time. Such services may include, but are not limited to, audit related services such as grant audits, letters to banks relating to covenants, comfort letters for debt offerings and the like which require the auditors to make reference to their audit of the financial statements.

The ARMC or ARMC Chairman may pre-approve or subsequently endorse the provision of Permissible Non-Audit Services approved by the Chief Financial Officer or Managing Director. These approved or endorsed services (as applicable) are excluded in calculating whether the above authority limit for the Chief Financial Officer and Managing Director has been reached.

In considering whether to grant such approval or endorsement, the Chief Financial Officer, Managing Director, ARMC and ARMC Chairman will consider whether such services require such a detailed and unique knowledge of the Company's activities that would make it exceptionally costly or inefficient to engage another service provider.

### Reporting to ARMC

The Chief Financial Officer will provide a report to the ARMC quarterly which describes any non-audit services provided by the external auditors since the last quarterly report.

### Annual Reporting

Each annual Directors' Report for the Company will include, under the heading "Non-audit services", the following information in relation to the external auditors:

- details of the amounts paid or payable for non-audit services provided during the year by the auditors;
- a statement whether the Directors are satisfied that the provision of those non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act; and
- a statement of the Directors' reasons for being satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the Corporations Act.

This statement must be made in accordance with advice provided by the ARMC or a resolution of Directors of the Company.

If the statement is made in accordance with advice provided by the ARMC:

- the statement must be consistent with that advice and must not contain any material omission of material included in that advice; and
- the advice must be endorsed by a resolution passed by the ARMC; and
- the advice must be written advice signed by a member of the ARMC on behalf of the ARMC and given to the Directors.

### Auditor Rotation

An individual must not play a significant role in the audit of the Company for more than five successive financial years or for more than five out of seven successive financial years. Accordingly, the lead auditor in relation to the audit of the Company must be rotated by any audit firm or company engaged by the Company to comply with this requirement.

### Other Documents

Further guidance is provided in:

- APES 110 – Code of Ethics for Professional Accountants
- ASX Corporate Governance Council, Corporate Governance Principles and Recommendations