

# CHARTER




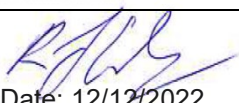
**TITLE:** AUDIT AND RISK COMMITTEE **DATE:** 12/12/2022

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This document is not to be considered in isolation, but in relation to its position in the document hierarchy as illustrated under section heading: document hierarchy and questions.

## 1 ENDORSEMENTS

Sign off	Signature and date	Name and title	Business unit
Author:	 Date: 12/12/2022	Melanie Brown Company Secretary	Trading & Governance
Endorsed by: (where applicable)	<i>Yasmin Broughton</i> Date: 12/12/2022	Yasmin Broughton Chair of ARC	Board of Directors
Approver (level 3 manager or above):	 Date: 12/12/2022	Robert Cole Chairman	Board of Directors
Approval details			
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## 2 INTRODUCTION

This document describes the purpose, structure, responsibilities and membership of the audit and risk committee (**committee**).

It is mandatory to apply this charter in the conduct of all committee activities.

### 2.1 Responsibility

The company secretary is responsible for maintaining this charter.

## 3 REVIEW

### 3.1 Charter review

This document must be reviewed annually.

### 3.2 Self assessment

The committee must review its own performance and compliance with its charter at least once every year and report the outcome to the board.

## **4 ROLE**

### **4.1 Legislation authorising committee creation**

The committee is a committee of the board of the Electricity Generation and Retail Corporation trading as Synergy (**Synergy**) established under the *Electricity Corporations Act 2005 (Act)*.

Committee proceedings will be conducted in accordance with the Act insofar as they are applicable to this charter.

### **4.2 Purpose**

The committee's purpose is to assist the board to fulfil its corporate governance and oversight responsibilities relating to financial reporting, legal and regulatory requirements, risk management and internal control, compliance and audit.

To the extent that any responsibility of the committee may overlap with any responsibility of the human resources and sustainability committee (particularly in relation to work health and safety matters) the chair of each of the committee and the human resources and sustainability committee will confer accordingly to ensure the matter in question is appropriately considered.

### **4.3 ASX guidelines**

Synergy seeks to comply, to the extent applicable, with the ASX corporate governance council's corporate governance principles and recommendations.

## **5 DUTIES AND RESPONSIBILITIES**

### **5.1 General**

The committee is to assist the board with governance oversight in relation to:

- (a) the integrity of the annual and interim financial statements and other related information;
- (b) ensuring Synergy maintains a sound enterprise risk management framework;
- (c) Synergy's compliance with relevant laws and regulations;
- (d) compliance with board approved codes (specifically the code of conduct), policies and procedures;
- (e) the adequacy and effectiveness of internal control systems; and
- (f) the work of the internal and external auditors.

### **5.2 Financial statements**

The committee will review and make recommendations to the board (as required) on matters pertaining to the financial statements including:

- (a) the quality and appropriateness of the accounting policies, their application, and any changes thereto;
- (b) major estimates or judgmental areas/unusual/complex transactions;

- (c) the appropriateness of the accounting judgements or choices exercised by management or resulting from the audit;
- (d) the going concern assumption;
- (e) compliance with applicable accounting standards;
- (f) compliance with the legislative reporting requirements under the Act and regulations;
- (g) the clarity of disclosures in Synergy's financial statements;
- (h) the annual report;
- (i) whether Synergy's financial statements reflect the understanding of the committee members of, and otherwise provides a true and fair view of, the financial position and performance of Synergy; and
- (j) before endorsing the financial statements for a financial period, receive from the CEO and CFO a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Synergy and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **5.3 Risk management and control**

To fulfil its duties and responsibilities in relation to risk management and internal control, the committee will (except to the extent the duties and responsibilities are to be performed by the human resources and sustainability committee in accordance with its charter):

- (a) review and recommend to the board for approval, at least annually, Synergy's top material risks, including work, health, safety & environment risks;
- (b) receive and review reports on existing and emerging material risks and the critical controls in place to mitigate those risks;
- (c) receive and review reports on any incident or lessons learned involving a breakdown of controls over material risks;
- (d) monitor the effectiveness of Synergy's systems of risk management and critical control, including an annual review of Synergy's risk management framework and risk appetite statement, and as to whether Synergy is operating with due regard to the risk appetite statement set by the board;
- (e) approve performance measures and receive and review reports on the performance of the risk management program; and
- (f) receive and review reports on the resilience of Synergy to business interruption risks and the preparedness of the organisation to respond to and manage crisis and recovery from such events.

### **5.4 Internal audit function**

The committee will review and make recommendations to the board on matters pertaining to the internal audit function and is responsible for:

- (a) reviewing the risk based internal audit plan for the financial year and ensuring that it allows internal audit to periodically assess ethics and organisational culture;
- (b) reviewing the resourcing plans and budget of the internal audit function to enable an effective audit to be conducted in the areas identified for internal audit review;
- (c) reviewing Synergy's control assurance map and planned coordination of assurance activities;
- (d) monitoring the progress of the internal audit plan;
- (e) monitoring internal audit's participation in non-assurance roles to assess whether it impacts their independence or interferes with the delivery of the internal audit program;
- (f) reviewing once a year the effectiveness and independence of the internal audit function including the charter of the internal audit function;
- (g) considering major findings of internal audit reviews/investigations, management's response to audit findings and recommendations, and monitoring the timely and proper implementation of management's action plans;
- (h) ensuring the internal audit function reviews internal control systems (including but not limited to information security and control);
- (i) ensuring the internal audit function has unrestricted access to all of Synergy's activities, records, personnel, assets and information and has a direct reporting relationship with the audit and risk committee;
- (j) ensuring compliance with the international standards for the professional practice of internal auditing in the review of the internal audit function; and
- (k) the appointment and removal of the head of internal audit, in consultation with the CEO.

The head of internal audit has the right of direct access to the committee chair.

## **5.5 External audit function**

The committee will review and make recommendations to the board (as required) on matters pertaining to the external audit function including:

- (a) supporting the Auditor General or his/her nominee (external auditor) to undertake the annual audit of Synergy so that Synergy can submit the finalised annual audit to the Minister's office before 30 September;
- (b) prior to the commencement of the annual audit discussing with the external auditor the audit plan, timetable and key focus areas for the year and requesting a co-ordinated approach with the internal audit function;
- (c) seeking confirmation from the external auditor that it is, in its professional judgment, independent of Synergy;
- (d) ensuring that the external auditor makes the required disclosures in accordance with the Act in a timely fashion and at least annually;

- (e) discussing and resolving problems and reservations arising from the annual audit, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (f) reviewing the external auditor's report and management's responses and monitoring the timely and proper implementation of management's action plans; and
- (g) reviewing the external audit provider's fee.

## **5.6 Policies**

The committee will and is authorised by the board to review and approve any non-material changes to the following Synergy policies:

- (a) cyber security policy;
- (b) delegated financial authority policy;
- (c) regulatory compliance policy;
- (d) retail credit management policy;
- (e) ring fencing system;
- (f) risk management policy;
- (g) tax risk management policy;
- (h) treasury policy;
- (i) wholesale energy credit policy;

and any other policies delegated by the board from time to time.

## **5.7 Compliance and other matters**

The committee will (except to the extent otherwise reported to the human resources and sustainability committee pursuant to its responsibilities and to the board):

- (a) review material updates to treasury, trading, and credit control, and tax policies and financial management frameworks, and make recommendations to the board in respect of those updates;
- (b) review regular reports from management on compliance and breach remediation, including follow up on such breaches if required, of trading, treasury, taxation and credit control policies;
- (c) periodically assess the effectiveness of internal controls for determining and managing key financial and legal risk areas, particularly:
  - (i) compliance with laws, regulations, financial standards, key financial and legal internal policies and procedures; and
  - (ii) litigation and claims;
- (d) receive reports and external audits in relation to compliance with any conditions of market registrations, regulatory and operating licences;

- (e) review the findings of any significant examinations by external regulatory bodies;
- (f) receive reports from the general counsel on any material breaches of or non-compliance with relevant laws and regulations, including resolution of non-compliance matters, if appropriate. Material is defined as a breach of particular significance to Synergy and not merely trivial or inconsequential;
- (g) review updates, as required, from management and the general counsel regarding material compliance matters;
- (h) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- (i) to the extent the chair of the committee determines that a matter is a serious breach, and it has either been reported to him or her as the chair of the committee or has been reported to the committee at a committee meeting, the committee chair will immediately report the breach to the chair of the board by email and table the matter at the next meeting of the board;
- (j) request and oversee special investigations as required;
- (k) ensure an effective fraud and corruption control framework and provide oversight of fraud and corruption risks;
- (l) receive reports on investigations where fraud, corruption or misconduct is identified, ensuring appropriate management actions are taken;
- (m) be the first point of board reference for management for any major issues likely to adversely affect Synergy's brand or reputation; and
- (n) consider any other matters delegated to it by the board.

## **5.8 Management proposals**

The committee will review management proposals of remuneration and management assessments of performance of the head of internal audit.

## **5.9 Insurance program**

The committee will review Synergy's insurance program at least annually having regard to Synergy's activities and insurable risks associated with its business.

# **6 COMPOSITION**

## **6.1 Composition**

The board appoints the committee which is comprised of:

- (a) only non-executive directors;
- (b) at least three members (a majority of which are independent);
- (c) the chair of the committee who is one of those independent directors and who is not the chair of the board;
- (d) directors who are financially literate, with at least one director possessing accounting or related financial expertise and qualifications; and

- (e) where possible, at least one director who has experience in and an understanding of the electricity industry.

The board may determine the appointment and term of any member of the committee at any time. Retirement and renewal of committee members will be reviewed on an ongoing basis by the board.

## **6.2 Company secretary**

The company secretary or a designate will be the secretary of the committee.

## **7 MEETINGS**

### **7.1 Meeting frequency**

The committee will meet as frequently as required to fulfil its duties but not less than four times a year.

The schedule of meetings of the committee will be established at the commencement of each year to ensure the meetings are timed appropriately. The agenda will be structured to cover statutory/policy requirements, strategic issues and relevant procedural business. Extra meetings may be scheduled in the course of the year as the required.

### **7.2 Access and independence**

The committee must have unrestricted access to executives, management, other personnel, internal and external auditors, information and records as appropriate and may obtain at the expense of Synergy, outside legal or other professional advice on any matters within its charter.

The committee or the chair separately will periodically meet, either individually or jointly with the head of internal audit and the chief financial officer or equivalent positions.

At the discretion of the chair of the committee, separate meetings may also be held with any member of management.

### **7.3 Authority to call a meeting**

The committee chair or any committee member may call a meeting of the committee, and the external auditors or the head of internal audit may request the chair to call a meeting of the committee.

### **7.4 Attendance**

The committee may extend an invitation to any person to attend all or part of the meeting which it considers appropriate, including any directors or external advisers. In particular, the committee may extend an invitation to the:

- (a) chief executive officer;
- (b) Office of the Auditor General and the external audit contracted firm;
- (c) chief financial officer;
- (d) executive general manager trading & governance;
- (e) general counsel and company secretary;

- (f) head of internal audit;
- (g) head of regulation and compliance;
- (h) head of risk; and
- (i) head of health, safety, wellbeing and environment.

The committee may allow for “in camera” sessions where management is required to be absent from the room.

The committee will meet with the Auditor General or his/her designate, or a representative from the external audit contracted firm (if relevant), for the audit entrance interview and audit exit interview and whenever considered appropriate. Meetings with such persons may be held without members of management being present, whenever it is deemed appropriate by the chair of the committee.

## **7.5 Quorum**

A quorum will comprise any two committee members. In the absence of the committee chair or appointed delegate, the members must elect one of their number as chair for that meeting.

## **7.6 Voting**

The chair is responsible for the conduct of all committee meetings. Matters arising for determination at a committee meeting must be decided by a majority of votes cast by the members present and entitled to vote on the matter.

The chair of the committee will not have a second or casting vote.

## **7.7 Notice**

A notice of each meeting confirming the date, time, venue and agenda must be forwarded to each member of the committee at least one week prior to the date of the meeting. The notice for members will include the agenda and relevant supporting papers distributed by the company secretary for the agenda items to be discussed.

## **7.8 Board reporting**

The chair of the committee, or delegate, must report (verbal) to the board providing a summary of the committee’s work and results following each committee meeting.

The committee will, through the chair, provide appropriate and constructive reporting to the board. This may include not only minutes of meetings and proceedings but also briefings on any matters which could pose a material risk to Synergy. The committee chair will ensure that the board is made immediately aware of any matters brought to the attention of the committee chair that may significantly impact the financial condition or reputation of Synergy. This may also include briefings on any matters which could pose a material risk to Synergy.

## **7.9 Minutes and committee papers**

Minutes of proceedings and resolutions of committee meetings must be kept by the company secretary. Draft minutes must be provided to the chair for approval and distributed to all committee members for comments as soon as reasonably possible, but within 7-14 days after the committee meeting. The minutes, once drafted and reviewed by the chair, are submitted to the board at the next immediate meeting of the board.



## 8 AUTHORITY

### 8.1 Advice

The committee is authorised by the board to obtain outside legal or other independent professional advice from appropriate external advisers if it considers this necessary, at Synergy's expense. The committee chair must approve such expenditure. The committee may meet with these external advisers without management being present.

### 8.2 Powers

The committee is authorised by the board to investigate any activity within its charter. Subject to any resolution of the board, the committee is required to make recommendations to the board but has no executive powers to commit the board or management to the implementation of these recommendations.

## 9 DOCUMENT HIERARCHY AND QUESTIONS



The document hierarchy diagram (left) shows where in the document hierarchy this system sits and how it relates to all other documents in the hierarchy.

Any questions or feedback related to this document should be directed to the document owner in the first instance