

## **Board Audit Committee Charter**

### **1. Function**

The Audit Committee's function is to:

- 1.1 Recommend to the Board for approval the appointment of auditors;
- 1.2 Reviews the business risk profile of Eraring as a basis for establishing the proposed internal and external audit programs for the year;
- 1.3 Monitor auditors and management, and advise the Board of the results of that monitoring in relation to:
  - (a) financial reporting processes,
  - (b) systems for internal control and management of financial risks,
  - (c) processes for monitoring of compliance with legislation and regulation, and internal controls,
  - (d) audit scopes, outcomes and actions, and
  - (e) performance of auditors;
- 1.4 The Committee is to monitor the audit outcomes and review the audit programs of subsidiary companies and advise the Board of the adequacy of these audit processes; and
- 1.5 The Committee will advise the Board Risk Committee quarterly on:
  - (a) the current effectiveness of the internal and external audit programs, and
  - (b) any significant trends in audit results or associated emerging risks.

### **2. Powers**

In discharging its responsibilities, the Committee is authorised by the Board to:

- 2.1 Obtain external professional advice (including legal);
- 2.2 Seek information from any employee who shall cooperate with the Committee;
- 2.3 Seek information from parties outside of Eraring Energy or its subsidiaries;
- 2.4 Require attendance of Eraring Energy officers at meetings of the Committee; and
- 2.5 Request the Board of subsidiaries to provide information.

### **3. Structure and Operations**

#### **3.1 Membership**

- (a) The Committee will be comprised of no less than three non-executive directors.
- (b) The Board will determine the Committee Chair. The Chairman of the Board is not to be the Chair of the Committee but may be a member.
- (c) The quorum for meetings shall be two members.
- (d) The Board shall nominate the Secretary of the Committee.

#### **3.2 Meetings**

- (a) The Committee shall meet with the internal and external auditors at appropriate intervals.
- (b) Executives, including the Managing Director, may be invited to attend meetings of the Committee as appropriate.
- (c) The Committee shall meet at least four times a year and minutes of all meetings shall be promptly provided to the Board.

### **4. Responsibilities**

The Committee is responsible for:

#### **4.1 General**

- (a) Reviewing the performance of auditors against performance measures adopted by the Board;
- (b) Evaluating the appropriateness of the internal control “culture” through monitoring audit reports, management responses and the level of understanding of roles and responsibilities displayed by employees;
- (c) Seeking confirmation that actions to address recommendations by auditors have been carried out effectively and in a timely manner;
- (d) Initiating special reviews where indicated; and
- (e) Maintaining the charter of the Committee and seeking Board approval for enhancements, and reviewing the Committee’s performance.

#### 4.2 Financial Reporting

- (a) Developing an understanding of the areas of financial risk and the effectiveness of management's response;
- (b) Reviewing with management significant accounting and reporting issues and seeking advice on professional and regulatory developments, their impact on Eraring Energy, its subsidiaries and Eraring Energy's strategies for input into these developments;
- (c) Reviewing financial statements for completeness and consistency with members' knowledge;
- (d) Assessing compliance with accounting standards and principles and other regulations;
- (e) Reviewing with auditors, and management, periodical financial reports and statements; and
- (f) Reviewing the annual report for consistency with members' knowledge about the company and its operations and for the clarity of information.

#### 4.3 Internal Audit

- (a) Reviewing the internal audit strategy and plan to ensure the scope and approach is appropriate;
- (b) Reviewing internal audit arrangements to ensure no inappropriate limitations exist;
- (c) Reviewing effectiveness of internal audit function;
- (d) Monitoring audit outcomes and management responses to the outcomes; and
- (e) Seeking confirmation of implementation of management actions to address issues raised by internal auditor.

#### 4.4 External Audit

- (a) Reviewing external audit proposed scope and approach;
- (b) Reviewing performance of external auditors;
- (c) Monitoring audit outcomes and management responses to the outcomes; and
- (d) Seeking confirmation of implementation of management actions to address issues raised by external auditor.