

# AGL Energy Limited

## Audit and Risk Management Committee Charter



### 1. Purpose

- 1.1. The primary function of the Audit and Risk Management Committee (the Committee) is to assist the Board in fulfilling its responsibilities to provide Shareholders with timely and reliable financial reports and to protect the interests of Shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.
- 1.2. The Committee will have oversight of and review of:

#### Audit

- › Monitoring the adequacy of and integrity of, and the effectiveness of management processes supporting, financial reporting;
- › The procedures for the selection and appointment of external auditors and for the rotation of external audit engagement partners;
- › Recommending the appointment or, if necessary, the removal of the external auditors;
- › Assessing the performance and independence of the external auditors;
- › Monitoring and reviewing the performance and objectivity of Group Audit;
- › Recommending the appointment or, if necessary, the termination of the appointment of the Head of Group Audit

#### Risk Management

- › Maintaining and overseeing a sound system of internal controls based on the adoption by the Board of a risk-based approach to the identification, assessment, monitoring and management of risks that are significant to the fulfilment of AGL's business objectives;
- › Reviewing the effectiveness of AGL's risk management and internal compliance and control system.

The Committee will primarily fulfil these responsibilities by carrying out the activities in Section 6 of this Charter.

## **2. Membership**

- 2.1. The membership of the Committee shall be appointed by the Board from amongst the non-executive Directors of AGL. Each of the members will be independent which means they will be free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of AGL.
- 2.2. All committee members shall have a working familiarity with basic accounting and finance practices with at least one having financial expertise (ie. qualified accountant or other financial professional) as well as members with understanding of the industry in which AGL operates.
- 2.3. The Committee shall consist of a minimum of three members.
- 2.4. Committee members will be appointed for a term of 3 years. Existing members can be reappointed for a further term of 3 years.
- 2.5. The Chairman of the Committee shall be determined by the Board from time to time. The Chairman of the Board may not be appointed Chairman of the Committee. Should the Chairman of the Committee be absent from any meeting, the members of the Committee present shall appoint one of those to be Chair of that meeting.
- 2.6. The duties and responsibilities of a member of the Committee are in addition to those set out for a member of the Board of Directors.
- 2.7. The Secretary of the Committee is the Company Secretary.

## **3. Meetings**

- 3.1. The Committee will meet a minimum of four times annually and more frequently if required as determined by the Committee Chairman. The Committee shall keep minutes of its meetings.
- 3.2. A quorum of any meeting shall be two members.
- 3.3. Any Director may attend Committee meetings.
- 3.4. No one outside the Committee and the Board is entitled to be present at a meeting of the Committee but, unless the Committee determines otherwise, the Managing Director, the Chief Financial Officer, the Company Secretary, and the Head of Group Audit shall attend Committee meetings. The Committee may request that any officer or employee of AGL meet with them or any member and provide information as necessary.
- 3.5. The external auditor is invited to attend all Committee meetings and receive a copy of the Committee papers. The external auditor shall report directly to the Committee.
- 3.6. The Committee shall meet at least annually with the Head of Group Audit and the external auditors without management present to discuss any matters the Committee considers relevant to the purpose of the Committee.

## 4. Authority

- 4.1. The Committee is a Committee of the Board and shall have no authority independent of the functions delegated to it by the Board.
- 4.2. The Committee is authorised by the Board to investigate any activity it deems appropriate consistent with its responsibilities and duties. It is authorised to seek any information from any officer or employee of AGL all of whom must co-operate with any request made by the Committee.
- 4.3. The Committee is authorised to engage any firm of accountants, lawyers or other professionals as the Committee sees fit to provide independent counsel and advice and to assist in any review or investigation on such matters as the Committee deems appropriate.
- 4.4. The findings of the Committee shall not relieve the Board of any of its responsibilities.

## 5. Reporting

- 5.1. The Company Secretary shall distribute copies of the minutes of a meeting of the Committee to the Board for discussion at the next full Board meeting.
- 5.2. The Committee shall regularly inform the Board about Committee activities and make recommendations to the Board on matters relevant to the Committee's purpose. The Committee will prepare any reports required by law or listing rules or requested by the Board including reports on corporate governance required to be included in the Annual Report.

## 6. Responsibilities

To fulfil its responsibilities and duties the Committee shall:

### Financial Reporting Processes

- › Review and discuss with management and the external auditors the half-yearly and annual financial reports including notes to the financial accounts and other disclosures and recommend to the Board whether the financial reports should be approved.
- › Review AGL's accounting and financial reporting practices, including the effect of changes in accounting standards and practices, Australian Securities Exchange listing requirements and corporate legislation. This includes discussing with management and the external auditor the application of those practices and standards to AGL's financial reports.
- › Review and discuss with the external auditors their report regarding significant findings in the conduct of their audit and management's response to those findings.
- › Discuss with management and the external auditors any major issues relating to the system of internal controls over financial information.
- › Satisfy itself that the declarations provided by the Managing Director and the Chief Financial Officer in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **Oversight of External Auditor**

- › Recommend to the Board the appointment and, if necessary and subject to shareholder approval, the removal of the external auditors.
- › Review the annual audit plan with the external auditors and approve the plan and the quantum of audit fees.
- › Review and discuss with the external auditor any matters relating to the conduct of the audit including responses from management.
- › Receive and review quarterly reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external auditors.
- › Review annually the Board's policy on maintaining independence of the external auditors and recommend any changes if necessary.
- › Review the performance of the external auditor having regard to the skills and capabilities of the lead external audit staff.

## **Risk Management**

- › Review and approve AGL's risk management policy and framework for identifying, assessing, monitoring and managing risk.
- › Regularly review and update AGL's risk profile.
- › Monitor the effectiveness of the risk management framework and the system of internal control. As part of monitoring and assessing the effectiveness of the system of internal control, regularly receive and review reports on internal control.
- › Review at least annually the Group's implementation of the risk management policy and framework.
- › Review the adequacy of AGL's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of AGL's principal insurers.

## **Internal Audit**

- › Review the appointment and, if necessary, the termination of the appointment of the Head of Group Audit.
- › Oversee, review and approve the scope of the annual internal audit plan.
- › Review and discuss with the Head of Group Audit the key findings and recommendations from each internal audit report.
- › Satisfy itself that the effectiveness of Group Audit has not been constrained by management restrictions on access to information or employees.

## **Legislative Compliance**

- › Monitor the development and ongoing review of appropriate legislative compliance programmes where applicable.
- › Receive, review and discuss with management regular reports on legislative compliance.

## **Other responsibilities**

- › Make recommendations on any other relevant matters delegated to the Committee by the Board.



## **7. Other matters**

- 7.1. This charter should be reviewed by the Committee and updated at least every two years. Any changes to the charter must be approved by the Board.
- 7.2. The Committee shall annually review its own performance.

**Approved by the Board in June 2008**