



## AGL ENERGY LIMITED

### AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

#### 1. Purpose

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- 1.1 The primary function of the Audit & 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 safeguard AGL's interests taking into account the reasonable interests of Shareholders, employees, customers, the communities in which AGL operates and other relevant stakeholders through the effective identification, assessment, monitoring and management of risks and compliance with legal and regulatory requirements.
- 1.2 The Committee is responsible for reviewing the following matters:
- in relation to audit:
    - the integrity of the financial statements and financial reporting systems of AGL and its related bodies corporate (the **AGL Group**);
    - external audit engagement, including the external auditor's qualifications, performance, independence and fees;
    - performance of AGL's internal audit function (**Group Audit**); and
    - the integrity of the AGL Group's corporate reporting (including oversight of the AGL Group's regulatory and statutory reporting requirements) and financial controls; and
  - in relation to risk and compliance management:
    - reviewing and recommending AGL's risk management framework, including AGL's Risk Appetite Statement and 'Tier 1 Risks', to the Board for approval at least annually;
    - reviewing and monitoring the implementation of policies and procedures for identifying, assessing, monitoring and managing risk (including financial and non-financial risks, as well as risks with a short, medium or longer term horizon) and confirming there is an appropriate risk and compliance culture that supports AGL's ability to operate within its risk appetite; and
    - overseeing the management of AGL's compliance management system, including the policies and procedures for ensuring the AGL Group's compliance with relevant regulatory and legal requirements.

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

#### 2. Membership

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- 2.1 Members of the Committee shall be appointed by the Board from amongst the non-executive Directors of AGL. Each member must be free from any interest, position, association or other relationship that might influence, or reasonably be perceived to, influence in a material respect his or her capacity to bring an independent judgement to bear on issues before the Committee and 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 member having financial expertise (i.e. as a qualified accountant or other financial professional) and the members between them must have a sufficient understanding of the industry in which AGL operates.
- 2.3 The Committee shall consist of a minimum of three members.

- 2.4 The Chairperson of the Committee shall be determined by the Board from time to time. The Chairperson of the Board may not be appointed Chairperson of the Committee. Should the Chairperson of the Committee be absent from any meeting of the Committee, the members of the Committee present at that meeting shall appoint one of their number to be Chairperson of that meeting.
- 2.5 The Secretary of the Committee is the Company Secretary or his or her designated representative.

### **3. Meetings**

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- 3.1 The Committee will meet a minimum of four times annually and more frequently if required, as determined by the Committee Chairperson.
- 3.2 A quorum of any meeting shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.3 Any non-executive Director may attend Committee meetings.
- 3.4 Unless the Committee determines otherwise, the Managing Director, the Chief Financial Officer, the Company Secretary, any Assistant Company Secretary, General Manager, Group Finance, General Manager, Group Risk, Compliance and Insurance and the General Manager, 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 Time will be allocated at each Committee meeting for the Committee to meet with each of the General Manager, Group Audit, General Manager Group Risk, Compliance & Insurance and the external auditors without management present to discuss any matters the Committee considers relevant to the Committee's purpose.
- 3.7 The Secretary of the Committee shall be responsible for scheduling meetings, co-ordinating the preparation of the agenda, minutes and other supporting documentation for the meeting. The Company Secretary will circulate minutes of meetings to members of the Committee.
- 3.8 Subject to any provision to the contrary as set out in this Section 3, Committee meetings shall otherwise be conducted in accordance with the Board Charter.

### **4. Authority**

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- 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

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- 5.1 The minutes of each meeting of the Committee will be tabled at the next 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.
- 5.3 The Committee will oversee the preparation of any reports required by law or the listing rules or as requested by the Board including reports on corporate governance required to be included in the Annual Report.

## 6. Responsibilities

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- 6.1 The Committee will undertake the following activities to fulfil its responsibilities:

### **Financial Reporting Processes**

- Review and discuss with management and the external auditors the half-yearly and annual financial reports, including the disclosures made in those reports and recommend to the Board whether the financial reports should be approved.
- Discuss with management, Group Audit and the external auditors any significant financial reporting issues identified in connection with the preparation of the AGL Group's financial reports, including:
  - the effect of significant changes in accounting standards and practices;
  - the effect of significant judgements or estimates made by management;
  - the appropriateness of assumptions used to support carrying values of assets; and
  - Australian Securities Exchange listing requirements, the Corporations Act and other relevant legislation.

This includes monitoring, where appropriate, the management and rectification of any such financial reporting issues identified by management.

- Review and discuss with Group Audit and the external auditors their reports regarding significant findings in the conduct of their audits and, where appropriate, monitor the management and rectification of those significant findings by management.
- Discuss with management, the General Manager, Group Audit and the external auditors any material issues relating to the adequacy and effectiveness of the AGL Group's system of internal controls over financial information, reporting and disclosure as well as any procedures adopted to address material internal control deficiencies.
- Satisfy itself that the declarations provided by the Managing Director and the Chief Financial Officer in accordance with the Corporations Act are formed on the basis of a sound system of risk management and internal control, which is operating effectively.
- Satisfy itself that the adjustments to reported statutory profit made to determine AGL's publicly reported underlying Net Profit After Tax are consistent with AGL's accounting policies and with any guidelines issued by relevant authorities.

### **Oversight of External Auditor**

- Recommend to the Board the appointment and, if necessary and subject to shareholder approval, the removal of the external auditors. The external auditors will report directly to the Committee.
- Recommend to the Board the rotation of the audit engagement partner.

- Review and approve the terms of engagement of, and the fees payable to, the external auditor.
- Review the scope and adequacy of 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, and the appropriateness of AGL's accounting policies, and the reasonableness of management estimates and judgements.
- Review semi-annual reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external auditors.
- Review annually and recommend to the Board approval of any changes to the policy on maintaining independence of the external auditors.
- Review the performance of the external auditor having regard to the skills and capabilities of the lead external audit staff.

#### **Oversight of Group Audit**

- Review the appointment and, if necessary, the termination of the appointment of the General Manager, Group Audit. The General Manager, Group Audit will have a direct reporting line to the Committee through the Committee Chairperson.
- Review and approve a Group Audit Charter setting out the role, responsibilities, authority and reporting requirements of Group Audit.
- Review and approve the scope and adequacy of the annual Group Audit plan, budget and staffing.
- Review and discuss with the General Manager, Group Audit the key findings and recommendations from each Group Audit report.
- Monitor progress on management actions arising from Group Audit reports.
- Satisfy itself that the effectiveness of Group Audit has not been constrained by management restrictions on access to information or employees.
- Review the independence, objectivity and performance of Group Audit.

#### **Risk Management**

- Review and recommend to the Board, at least annually, approval of AGL's Risk Appetite Statement.
- Review and recommend to the Board, at least annually, approval of AGL's 'Tier 1 Risks', being those risks that may materially impact on the AGL Group's ability to meet its strategic objectives.
- Review, and recommend to the Board approval of AGL's key risk policies including AGL's Risk Management Policy, Treasury Risk Policy, Wholesale Markets Risk Management Policy, Market Disclosure Policy, Securities Dealings Policy, Anti-Bribery, Corruption and Fraud Policy, Whistleblower Protection Policy, Business Continuity Management Framework and Tax Risk Management Policy.
- Monitor the effectiveness of management's performance against AGL's risk management framework, including consideration of AGL's risk culture and whether it is operating within the risk appetite set by the Board and the policies and procedures for identifying, assessing, monitoring and managing risk (including financial and non-financial risks, contemporary and emerging risks (such as social risks, digital disruption, and privacy and data breaches), as well as risks with a short, medium or longer term horizon), and regularly receive and review reports on material risks and the operation of internal controls in place to mitigate those risks.
- Considering whether AGL has any material exposure to environmental or climate change risk by reference to the recommendations of the Financial Stability Board's

Task Force on Climate-related Financial Disclosures (TCFD) and reviewing any disclosures to be made by AGL in relation to climate change risk.

- Review any material incident involving fraud or a breakdown of AGL's risk controls and reflect on the 'lessons learned'.
- Review reports from management on new and emerging sources of risk and the risk controls and mitigation measures that AGL's management has put in place to deal with those risks.
- Oversee and review the adequacy of AGL's risk transference strategy and corresponding insurance policies, and the adequacy of insurances in place to protect AGL's insurable risks.

#### **Compliance management**

- Review, and recommend to the Board approval of, AGL's key compliance policies including the Compliance Management Policy and Competition & Consumer Compliance Policy.
- Review and monitor the effectiveness of AGL's Compliance Management System, including relevant processes and initiatives undertaken to continuously improve the Compliance Management System to manage the impact of regulatory change over AGL's operations.
- Monitor compliance by the AGL Group with applicable laws, regulations and obligations that may materially impact the AGL Group's risk profile, including to assess whether AGL is building and maintaining an appropriate compliance management culture.
- Receive, review and discuss with management regular reports on compliance activity.
- Discuss with management and the external auditor any correspondence with regulatory authorities and government agencies and any published reports that raise issues material to the AGL Group.

#### **Other responsibilities**

- Make recommendations on any other relevant matters delegated to the Committee by the Board.
- Assess the consequences for AGL of, and make recommendations to the Board on, significant court or tribunal decisions, or significant changes in laws, relating to the Committee's areas of responsibility.
- Conduct periodic post-implementation reviews of major capital projects to:
  - assess the extent to which AGL has realised the benefits expected from those projects at the time they were approved by the Board; and
  - make recommendations to the Board for improvements to the processes for evaluating and approving future capital projects.
- Regularly report to the Board on matters considered at Committee meetings.

## **7. Other Matters**

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7.1 This Charter will be reviewed and updated at least every two years. Any changes to the Charter must be approved by the Board.

7.2 The Committee will annually review its own performance.

**Approved by the Board - June 2020**