



Audit & Risk Committee Charter

Version 3

ERM Power Limited
ABN 28 122 259 223

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1. Purpose

- a) The primary function of the Audit and Risk Committee (the Committee) is to assist the Board in fulfilling its responsibilities to protect the interests of Shareholders, customers, employees and the broader community through overseeing the Company's risk management practices and to provide Shareholders with timely and reliable financial reports.
- b) In discharging its responsibilities, the Committee will review and make recommendations to the Board in relation to:
 - the effectiveness of ERM Power's overall risk management;
 - the effectiveness of internal compliance and control systems;
 - any incident involving fraud or other break down of the Company's internal controls,
 - the Company's insurance program, having regard to its business and the associated insurable risks;
 - the effectiveness of management processes and accounting policies supporting financial reporting including key accounting judgements;
 - the scope and adequacy of the external audit together with the independence and performance of the external auditor;
 - the procedures for the selection and appointment of external auditors and the rotation of external audit engagement partners;
 - other activities related to this Charter as requested by the Board.

2. Membership

- a) The Committee will be appointed by the Board, following the recommendations of the Board's Nomination Committee and shall consist of:
 - Only independent Directors, meaning 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 ERM Power;
 - a minimum of three members;
 - an independent director as Chair of the Committee - to be determined by the Board from time to time and who is not the Chair of the Board.
- b) All Committee members must have:
 - a working familiarity with basic accounting and finance practices with at least one Director possessing accounting or related financial expertise and qualifications;
 - an understanding of the Group's structure, controls and typical transactions in order to adequately assess the significant risks faced by the Group;
 - an understanding of the industry in which ERM Power operates.
- c) 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.
- d) Should the Chair 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. The Chair of the Committee does not have a casting vote.
- e) The Secretary of the Committee is the Company Secretary.

3. Meetings

- a) The Committee will meet a minimum of four times annually and more frequently if required as determined by the Committee Chair. The Committee shall keep minutes of its meetings.
- b) A quorum of any meeting shall be two members.
- c) The Committee will approve and update an annual meeting Schedule which identifies and allocates to specified meetings items of Committee business considered essential to the due performance of its role and discharge of its responsibilities.
- d) No one outside the Committee is entitled to be present at a meeting of the Committee although other persons may attend by invitation. Persons who may usually be invited include any other Director of the Board, the CEO, the Chief Financial Officer and the Company Secretary. The Committee may request that any officer or employee of the Company meet with them or any member and provide information as necessary. These people may take part in the business of, and discussions at the meeting, but will have no voting rights.
- e) The Committee must meet with the external auditor at least once a year without executive management being present. The external auditor may also be invited to attend Committee meetings and receive a copy of the Committee papers. The external auditor shall report directly to the Committee.

4. Authority

- a) The Committee is a committee of the Board and shall have no authority independent of the functions delegated to it by the Board.
- b) 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 ERM Power all of whom must co-operate with any request made by the Committee.
- c) 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.
- d) The findings of the Committee shall not relieve the Board of any of its responsibilities.

5. Reporting

- a) 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, bringing forward all recommendations of the Committee which require Board endorsement or approval.
- b) 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 as requested by the Board including reports on corporate governance required to be included in the Annual Report.

6. Responsibilities

6.1 Risk Management

It is the role of the Board to set the risk appetite for the entity, to oversee its risk management framework and to satisfy itself that the framework is sound. The Committee will bring transparency, focus and independent judgement in overseeing the Company's risk management framework and make recommendations to the Board.

It is the role of management to design and implement that framework and to ensure that the entity operates within the risk appetite set by the Board.

To fulfil its responsibilities and duties the Committee shall:

- a) review and make recommendations to the Board in relation to ERM Power's risk management policy and framework for identifying, assessing, monitoring and managing risk;
- b) review at least annually the Group's implementation of the risk management policy and framework to satisfy itself that it continues to be sound and that the entity is operating within the risk appetite set by the Board;
- c) obtain regular updates from management about compliance matters, including resolution of significant market and operational risk exposures and risk events;
- d) review the adequacy of ERM Power's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of ERM Power's principal insurers; and
- e) review the management of any material exposure to economic, environmental and social sustainability risks.

6.2 Internal Control

To fulfil its responsibilities and duties the Committee shall:

- a) assess the adequacy of processes 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 ERM Power's business objectives; and
- b) regularly receive and review reports on internal controls and compliance matters in order to monitor and assess the effectiveness of the risk management framework and internal control processes, including independent assurance from auditors.

6.3 Financial Reporting Processes

To fulfil its responsibilities and duties the Committee shall:

- a) review the appropriateness of ERM Power's accounting policies and practices, taking into account:
 - critical accounting policies and practices and any changes in them;
 - decisions requiring a major element of judgment;
 - materiality and adjustment thresholds; and
 - the adequacy and integrity of management processes supporting financial reporting;
- b) review and discuss with management and the external auditors the draft half-yearly and annual financial reports, including notes to the financial accounts and other disclosures, together with the accounting policies adopted by the company against any alternative treatments available, to ensure the draft financial reports are reflective of the understanding of the Committee, and provide a true

and fair view of the financial position and performance of the Company, in order to recommend to the Board whether the financial reports should be approved, including;

- the extent to which the financial statements are affected by any unusual transactions;
 - the clarity of disclosures;
 - the going concern assumption;
 - compliance with accounting standards and practices, Australian Securities Exchange listing requirements and corporate legislation;
 - the declaration to the Board from the Managing Director and Chief Executive Officer and the Chief Financial Officer, that, in their opinion, the financial records of the entity 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 the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively; and
 - discussing with management and the external auditor the application of those practices and standards to the Company's financial reports;
- c) 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; and
- d) discuss with management and the external auditors any major issues relating to the system of internal controls over financial information.

6.4 Oversight of External Auditor

To fulfill its responsibilities and duties the Committee shall:

- a) recommend to the Board the appointment and, if necessary and subject to shareholder approval, the removal of the external auditors;
- b) review the annual audit plan with the external auditors and approve the plan and the quantum of audit fees;
- c) review and discuss with the external auditor any matters relating to the conduct of the audit including responses from management;
- d) receive and review half-yearly reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external auditors;
- e) review annually the independence of the external auditors and recommend any changes if necessary;
- f) review the performance of the external auditor having regard to the skills and capabilities of the lead external audit staff; and
- g) at least once a year, obtain and review a report by the external auditor describing:
 - the overall scope of the external audit, including risk areas identified and any additional agreed procedures;
 - the audit firm's internal quality control procedures;
 - any material issues raised by the most recent internal quality control review, or peer review, of the audit firm; or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - all relationships between the external auditor and the Company (to assess the auditor's independence). For the half year and full year accounts, the external auditor is required to confirm in writing its independence as auditor within the meaning of relevant legislation in Australia and the standards set by relevant accounting bodies.

6.5 Other responsibilities

6.5.1 Related Party Transactions / Conflict of Interests

- a) The Committee shall:
 - monitor and review management procedures and policies for identifying and managing all potential and actual related party transactions or conflicts of interest;
 - evaluate all proposed related party transactions;
 - make recommendations to the Board in connection with the management of any issues as identified; and
 - review and monitor the propriety of approved Related Party Transactions.
- b) The Committee shall ensure arrangements are in place for any proportional and independent investigation with appropriate follow up action for concerns raised under the Company's Whistleblower Policy, including:
 - complaints received regarding accounting, internal accounting controls or auditing matters; or
 - confidential and anonymous submissions by employees regarding possible improprieties in matters of financial reporting or serious breaches of business conduct.
- c) The Committee shall make recommendations on any other relevant matters delegated to the Committee by the Board.

6.6 Other matters

- a) 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.
- b) The performance of the Committee shall be reviewed annually.

7. Policy Information

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Approval Body	ERM Power Board
Endorsement Body	Chief Financial Officer Audit and Risk Committee
Related Policies	Board Charter Risk Management Framework Policy Whistleblower Policy
Policy Maintained by:	Group General Counsel cosec@ermpower.com.au



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