

# Board Audit and Compliance Committee Charter



# Board Audit and Compliance Committee Charter

## 1. Introduction

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This Charter sets out the role, responsibilities and composition of the Board Audit and Compliance Committee (**Committee**) to assist the Board of Snowy Hydro Limited (ACN 090 574 431) (**Company**) (**Board**) to fulfil its responsibilities for the Company and its controlled entities (**Snowy Hydro**).

## 2. Role and responsibilities

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The Committee's role is to assist the Board in the effective discharge of its responsibilities in relation to managing the risk in relation to Snowy Hydro's:

- (a) external and internal audit functions;
- (b) financial reporting;
- (c) audit and assurance of sustainability-related disclosures, including Australian Sustainability Reporting Standards (**ASRS**)/climate-related financial disclosures;
- (d) financial management;
- (e) performance reporting;
- (f) system of risk oversight and management;
- (g) system of internal control; and
- (h) corporate management frameworks.

The Board has delegated authority to the Committee to fulfil the responsibilities set out in the responsibilities section below. The Board may delegate authority to the Committee to fulfil additional responsibilities from time to time.

This Charter should be read in conjunction with Snowy Hydro's Board Charter.

## 3. Responsibilities

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The Committee has the following responsibilities:

- (a) External Audit:
  - (i) regularly evaluate and report to the Board on the performance and independence of the external auditor;
  - (ii) review the selection of the external auditor and the rotation of external audit engagement partners at least every five years and make recommendations to the Board in relation to the proposed fees and terms of engagement of the external auditor and audit engagement partners, and any proposed change of external auditor or audit engagement partners;
  - (iii) review the external audit plan for each audit or review of financial statements;

- (iv) review all reports from external auditors, report to the Board on any issues arising out of those reports and ensure that the required disclosures by the external auditors are made to the Committee within the required timeframes; and
  - (v) approve in advance any non-audit assignments performed by the external auditors for Snowy Hydro in accordance with Snowy Hydro's Provision of Non-Audit Services by the Auditor Procedure..
- (b) Internal Audit:
  - (i) review the effectiveness of the Assurance strategy;
  - (ii) review and approve the internal audit plan each year, taking into consideration internal audit requests from other Committees;
  - (iii) review the progress of each annual internal audit plan;
  - (iv) review any proposed change to the resources engaged in the internal audit function or the manner in which that function is performed;
  - (v) review the appointment of the internal auditors if the internal audit function is outsourced;
  - (vi) review internal audit reports and recommendations from internal auditors and monitor the implementation of recommendations, including reporting to the Board on significant issues arising from the internal audit program;
  - (vii) direct internal audit to undertake special reviews as required; and
  - (viii) evaluate the performance of the internal audit function.
- (c) Performance Reporting:
  - (i) review the appropriateness of Snowy Hydro's performance reporting;
- (d) Financial Reporting:
  - (i) review Snowy Hydro's processes and systems for preparing financial reporting information;
  - (ii) review the accounting policies of Snowy Hydro, including conformance to relevant accounting and reporting standards;
  - (iii) review all significant accounting policy changes and, where appropriate, recommend to the Board that the changes be adopted by Snowy Hydro;
  - (iv) review in detail and report to the Board on the integrity of Snowy Hydro's half year and annual financial statements, including climate-related financial disclosures, prior to their release;
  - (v) oversight of sustainability reporting for audit and assurance of climate-related disclosures, accuracy of reporting and disclosure of all relevant assumptions, judgments and uncertainties;
  - (vi) obtain relevant representations from management as to the preparation of financial statements;



- (vii) review the adequacy of Snowy Hydro's policies relating to financial reporting and controls, including compliance with laws, regulations and ethical guidelines; and
  - (viii) discuss with management and the external auditor any correspondence with regulatory or government bodies and any published reports which raise material issues regarding Snowy Hydro's financial statements; and recommend to the Board Snowy Hydro's position in respect of any matter of disagreement between management and the External Auditor.
- (e) Financial Management:
- (i) monitor the ability of Snowy Hydro to fund its activities, having regard to current funding arrangements and Snowy Hydro's cash-flow and financing outlook;
  - (ii) monitor gearing levels, interest coverage ratios and compliance with banking covenants;
  - (iii) review all funding strategies of Snowy Hydro;
  - (iv) review new major funding documentation and, where appropriate, recommend its execution to the Board;
  - (v) review policies relating to financial risk management and monitor compliance with the policies and report to the Board on any relevant issues;
  - (vi) recommend an appropriate treasury policy to the Board that details parameters for:
    - a) funding risk;
    - b) interest rate risk;
    - c) liquidity risk; and
    - d) foreign exchange risk.
  - (vii) review, and where appropriate, recommend to the Board, bank proposals and banking relationship structures;
  - (viii) review, and where appropriate, recommend to the Board, procedures for covenant compliance;
  - (ix) review the dividend policy, including dividend payout ratio, and any proposed changes;
  - (x) review the insurance program;
  - (xi) review the appropriateness of base case assumptions used in capital expenditure decisions, including any proposed changes;
  - (xii) review post completion benefits realisation reviews of major capital expenditures and acquisitions; and
  - (xiii) monitor that financial delegations provided to management by the Board are being exercised appropriately; and
  - (xiv) review and monitor the tax profile including approving the Tax Risk Management Framework.

- (f) Enterprise Risk Management:
  - (i) review and approve the corporate Risk Management Policy and Risk Management Framework; and
  - (ii) review the effectiveness of the corporate Risk Management Framework;
- (g) Fraud and corruption
  - (i) review and approve the Fraud and Corruption Control Plan including where changes are identified because of findings in risk assessments;
  - (ii) oversee systems, policies and processes for managing fraud and corruption risks through regular monitoring and reporting;
  - (iii) provide ongoing monitoring and oversight of fraud and corruption reporting and risk assessments;
  - (iv) provide reports and independent advice to the Board and Executives in relation to any identified risk, breaches and amendments to the Fraud and Corruption Control Plan.
- (h) Corporate Management Frameworks:
  - (i) review the effectiveness of Snowy Hydro's corporate management frameworks including for governance, quality and regulatory compliance and any associated policies.
- (i) Compliance Matters:
  - (i) review Snowy Hydro's policies and practices to facilitate compliance with laws and contractual obligations;
  - (ii) review effectiveness of controls for compliance with laws and contractual obligations and report to the Board on any material issues;
  - (iii) review the results of any governmental or regulatory audits involving the areas in (a) which have not otherwise been reviewed by the Board or another Committee; and
  - (iv) for areas within this Charter, bring to the attention of the Board any actual or potential significant breaches of regulatory compliance and contractual obligations;
- (j) Management Systems - for risks with this Charter:
  - (i) review management's risk management culture;
  - (ii) review the appropriateness of systems and processes developed by management to identify, assess and respond to risks;
  - (iii) review the effectiveness of internal control frameworks;
  - (iv) review and bring to the attention of the Board any material new and significant risks; and
  - (v) follow up on any recommendations or improvement strategies.

- (k) General
  - (i) investigate and report to the Board on any matter specifically referred to the Committee by the Board. Where appropriate, refer matters to the Management Audit and Compliance Committee for investigation; and
  - (ii) review and monitor management's efforts to foster an ethical culture that encourages the proper use of Commonwealth resources and compliance with obligations, including accountability for emerging risk.

#### **4. Conflicts of Interest**

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The Conflicts of Interest subsection of the Board Charter applies to Committee Members and proceedings of the Committee.

#### **5. Membership**

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The Members and Chair of the Committee will be appointed by the Board and shall consist of:

- (a) at least three Non-Executive Directors, each of whom must have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions and a majority of whom must be independent (as defined in the Board Charter) and must not include the Chair of the Board.
- (b) at least one member of the Committee should have significant expertise in financial reporting, accounting or auditing.
- (c) an independent, Non-Executive Director as the Chair of the Committee.

The Company Secretary or their nominee will act as the Secretary to the Committee. The Secretary will keep minutes of proceedings and resolutions of the Committee together with copies of supporting papers. These records will be available to any Board member upon request.

#### **6. Meetings**

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The Committee Chair will convene meetings of the Committee as necessary but not less than four times each year.

Unless otherwise agreed by all Committee members, notice of each meeting and circulation of supporting papers confirming the venue, date and time together with an agenda of items to be discussed and information papers relevant to such items, must be forwarded to each member of the Committee and any person invited to attend, not less than four business days prior to the date of the meeting.

Members of the Board may attend meetings of the Committee and the engagement or audit partner of the external auditor of Snowy Hydro, the Chief Executive Officer, the Chair of the equivalent Management Committee and the Head of Group Assurance may attend meetings ex officio. Other persons may attend meetings of the Committee by invitation only, or with prior arrangement with the Committee Chair.

In the absence of the Committee Chair, the Committee members will elect a Committee member who is an Independent Non-Executive Director to act as Chair for that meeting.

A quorum will comprise two members of the Committee.

Each member of the Committee will have one vote and questions will be decided by a majority of votes.

The Committee must meet with both the internal and the external auditor without members of management being present at least once each year and whenever considered appropriate by the Chair of the Committee.

The Committee may meet without management present if the Committee Chair or the Committee considers it appropriate.

## **7. Resources and Access**

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The Committee may seek explanations and additional information from the external auditor as and when required.

The Committee has unrestricted access to employees, records, internal and external auditors, tax and other financial or legal advisers engaged by Snowy Hydro.

The internal and external auditors will have direct access to the Committee and to the Board via their respective Chair.

The Committee may seek any information reasonably necessary to discharge its responsibilities from any officer or employee of Snowy Hydro.

The Committee may take advice from external parties at Snowy Hydro's expense as reasonably appropriate to discharge its responsibilities.

The Committee may initiate, after consultation with the Chair and the Board, any investigation that is reasonably necessary to discharge its responsibilities. The costs of any such investigation will be borne by Snowy Hydro.

## **8. Reporting**

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The Committee Chair, or their nominee, will report to the Board after each meeting of the Committee. Collectively, these reports must contain all matters relevant to the Committee's responsibilities including:

- (a) an assessment of whether external reporting is consistent with Committee members' information and knowledge, and if this external reporting is adequate for shareholder needs.
- (b) recommendations for changes to management processes supporting external reporting;
- (c) the Committee's policies and procedures for the selection of the external auditor and for the rotation of external audit engagement partners;

- (d) assessment of the performance and independence of internal and external auditors in relation to matters within the Committee's responsibility.

The minutes of each meeting once approved by the Committee must be included in the papers for the next scheduled Board meeting.

The Committee may refer matters to other committees where relevant to the discharge of their responsibilities.

## **9. Performance and assessment**

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At least once each year the Committee must report on, and the Board will review, the performance of the Committee. This review will incorporate the views of relevant stakeholders.

The Committee must review this Charter annually (by 1 December) to ensure its relevance and effectiveness and make recommendations to the Board in relation to any proposed changes.