



# Board Committee Charter

Finance, Risk and Audit

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## Version Release

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This document is owned and updated by the AEMO Board and will be reviewed, at minimum, biannually. Any queries or suggestions for improvement should be addressed to the Company Secretary.

## 1 Purpose

The Finance, Risk and Audit Committee (the Committee), appointed by the Board of Directors (the Board), assists the Board to fulfil its oversight responsibilities relating to:

- strategic financial planning, including revenue, funding and capital investment (financing) plan
- review of budget assumptions and fee proposals
- company's financial statements and fee proposals, including going concern assumptions
- external auditor's annual audit of the financial statements
- qualifications, independence, engagement, fees and performance of the external auditor
- review market auditor resources, progress and effectiveness
- internal auditor resources, progress and effectiveness
- recommendations to the Board on risk policy and risk appetite
- internal controls, policies and procedures that the company uses to identify and manage business risks
- company compliance with legal and regulatory requirements, together with corporate governance policies.

## 2 Authority

The Board has authorised the Committee, within the scope of duties and responsibilities set out in this Charter, to:

- perform the activities required to address its responsibilities and make recommendations to the Board
- resolve any disagreement between management and the external auditor, with areas of significant disagreement being advised to the Board
- select, engage and approve the fees (within operational limits) for professional advisers that the Committee may require to carry out its duties
- subject to the agreement protocol:
  - require the attendance of any company manager or staff member at meetings, as appropriate
  - have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter.

## 3 Membership

The Board chair is responsible for nominating Committee members for approval by the Board.

The Committee will comprise at least three members, preferably all of whom should be independent (as defined in the Constitution) non-executive directors.

Committee members must be 'financially literate'.

At least one Committee member must have 'accounting or related financial expertise' and at least one member must have relevant risk management experience.

The Board chair has the discretion, in conjunction with the Committee chair, to recommend appointment of a non-voting independent member/s of the Committee who is not a director of the Board for the purposes of strengthening relevant financial expertise. Such an appointment/s requires Board approval.

Committee member appointments are to be reviewed annually, or earlier, if circumstances dictate.

Committee member rotation is encouraged. Wherever possible, the Board also ensures that changes in Committee membership are staggered to maintain continuity.

The company secretary or their designate is the Committee secretary.

## 4 Chair

The Board chair is responsible for nominating the Committee chair for approval by the Board.

The Committee chair must be an independent, non-executive director and not the chair of the Board.

Should the Committee chair be absent from a meeting, the Committee members present must appoint a chair for that particular meeting, who should not be the chair of the Board.

The Committee chair will attend meetings of the People and Remuneration Committee where variable remuneration is discussed.

## 5 Education

The company will assist the Committee in maintaining appropriate financial literacy. The company is responsible for providing new members with an appropriate induction program and educational opportunities, and the full Committee with educational resources relating to accounting principles and procedures, current accounting topics pertinent to the company, and other resources, as reasonable and requested by the Committee.

## 6 Meetings

The Committee must meet at least four times per year. If a member is unable to be physically present, they may participate by video or tele-conference.

A notice of each meeting, with relevant supporting agenda papers, confirming the date, time and venue is to be forwarded to each Committee member (with a copy to all directors) at least five working days before each meeting.

The Committee chair, the Board chair or any other Committee member may call a meeting of the Committee. The external auditor or internal auditor may request the Committee chair or a Committee member to call a meeting. The Committee chair may waive the five working days' notice period if agreed by all members.

The Committee chair may invite any person or persons (other than duly appointed members) to attend meetings of the Committee, but not necessarily for the full duration of the meeting. A standing invitation shall be issued to:

- The CEO
- The EGM Finance & Governance
- GM Risk & Compliance
- The external, market and internal auditors (for relevant topics).

Two members will constitute a quorum.

The Committee chair is not entitled to a second or casting vote.

## 7 Minutes

The Committee secretary or delegate must prepare the minutes of Committee meetings on a timely basis. After the Committee chair has given preliminary approval, the draft minutes are circulated to all Committee members and the other Board directors.

The minutes of meetings must be confirmed and signed at the next Committee meeting.

## 8 Communication

The Committee is expected to maintain free and open communication with the external auditor, the internal auditor, the market auditor and management.

## 9 Duties and responsibilities

In assisting the Board to fulfil its responsibilities, the duties of the Committee are as follows:

### 9.1 Strategic financial planning

- Review long term corporate finance model outputs and debt requirements, including sensitivity analysis
- Review company revenue and funding models
- Review capital management (financing) plan and provide feedback to the Board
- Review capital and operating budgets and forward estimates and provide feedback to the Board.
- Review and provide feedback to the Board on draft:
  - Annual budget and fees
  - Strategic financial planning components of annual corporate plan.

### 9.2 Accounting and financial reporting

- Review all published financial statements of the company, which require the approval of the Board, based on the recommendation of the Committee, and hold discussions regarding financial statements with the external auditor and management before submission to the Board.
- Throughout the year the Committee will pay specific attention to:
  - the consistency of accounting policies and appropriate adoption of any new accounting standards
  - considering the need for, appropriateness of and correct disclosure of, any changes made to the company's accounting policies
  - the treatment and disclosure of complex or unusual transactions, including off-balance sheet structures
  - significant judgements made by management in preparing the financial statements, including any significant accounting estimates
  - the going-concern assumptions.
- Review annually, the written attestations provided by the CEO and EGM Finance & Governance for Australian reporting purposes that:
  - the company's financial records have been properly maintained
  - the company's financial statements and notes present a true and fair view, in all material respects, of the company's financial condition, and are in accordance with relevant accounting standards
  - the financial statements are founded on a sound system of risk management and internal compliance and control, and that the system is operating effectively in all material respects in relation to financial reporting risk
  - the company's risk management and internal controls and compliance systems are operating efficiently and effectively in respect to its material business risks.
- Review any significant accounting and reporting issues, including professional and regulatory announcements, and understand their effect on the company's financial statements.

### 9.3 External audit

- Recommend to the Board the appointment, evaluation and removal of the external auditors.
- Review and approve the external auditor's proposed audit plan and audit approach, including materiality levels.
- Review and agree on the terms of engagement and the audit fees for the external auditors prior to the commencement of each year's audit plan.
- Review the independence and objectivity of the external auditors and their compliance with all relevant independence requirements including:
  - financial interests in clients and other business relationships
  - employment and other personal relationships
  - the level of non-audit services provided
  - the rotation of audit partners
  - limitations on external audit partner providing services other than audit, review or attestation.
- Understand any material alternative treatment of financial information that has been discussed with management, including their ramifications, together with the treatment preferred by the external auditor.
- Discuss the appropriateness of accounting policies, estimates and judgements.
- Review the external auditor's summary management report, detailing the results and significant findings from the audit and management responses.
- Meet regularly with the external auditor, without management present.
- Resolve any disagreements between management and external auditors in the financial reporting and advise any significant issue to the Board.
- Review and approve the external auditor's process for the rotation and succession of audit and review partners, including their approach to managing the transition.
- Obtain from the external auditors and review the independence declaration required under the Corporations Act.

### 9.4 Market auditors

- Make recommendations to the Board on the appointment, or if necessary, the replacement of the market auditor.
- Review progress against the market audit workplan, including:
  - advise the Board on the adequacy of market audit resources to carry out its responsibilities, including completion of the approved market audit plan
  - oversee the coordination of market audit programs conducted
  - review significant market audit reports and findings.
- Review and agree on the terms of engagement and the audit fees for the market auditors prior to the commencement of each year's audit plan.
- Consider the major findings of market audits and review management's response in terms of content and timeliness. Monitor management's implementation of market audit recommendations.
- Periodically review the performance of market auditors, including their independence and objectivity.
- Discuss issues with market auditor in the absence of management.

## 9.5 Internal audit

- Approve the appointment, remuneration and removal of the head of internal audit.
- Make recommendations to the Board on the appointment, or if necessary, the replacement of the internal audit firm/s.
- Periodically review the performance of the internal audit function, including its independence and objectivity.
- Review and agree on the terms of engagement and the audit fees for the internal auditors prior to the commencement of each year's audit plan.
- Review the internal audit Charter to ensure the appropriate organisational structure, authority, access and reporting arrangements are in place. Ensure appropriate resourcing of the internal audit function.
- Review progress against the internal audit workplan including:
  - advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
  - oversee the coordination of internal audit programs
  - review significant internal audit reports and findings.
- Consider the major finding of internal reports and review management's response in terms of content and timeliness. Monitor management's implementation of internal audit recommendations. Risk management and internal controls.

## 9.6 Risk management and internal controls

- Review and make recommendations to the Board with respect to:
  - the company's risk management policy and risk management system, including the risk management function and its resourcing.
  - monitoring of the company's risk profile developed by management, covering principal enterprise-wide risks, including strategic, operational, legal and financial risks.
  - the company's current and target risk appetite.
- Review the effectiveness of the company's insurance activities.
- Review the operational effectiveness of policies and procedures relating to risk and the company's internal control environment.
- Review management evaluation of the effectiveness of internal controls.
- Monitor and review the company's risk culture including proposed changes to facilitate a sound risk culture being developed and maintained.
- Discuss issues with the head of internal audit and the internal audit firm/s in the absence of management.

## 9.7 Compliance

- Review the effectiveness of the company's approach to achieving compliance with laws, regulations, industry codes and company policies (noting WH&S compliance and Code of Conduct culture are within remit of People & Remuneration Committee).
- Obtain regular updates from management, general counsel and company secretary regarding compliance matters that may have a material impact on the company's activities.
- Review reporting on legislative and regulatory compliance, including any material instances of breach or non-compliance.

- Ensure that there is a process in place for the Board chair and Committee chair to be immediately informed of any issue of significant non-compliance or litigation.
- Oversee the process for the receipt, retention and treatment of information received from the internal whistleblower policy and procedures, and also from external complainants regarding matters relating to audit, the financial statements, internal controls or possible fraud.
- Review any fraud reports.
- Review compliance with exemption criteria and reporting requirements where the company has been exempted from the need to hold a license or authorisation required under legislation.

## 9.8 Governance

- Monitor that an appropriate set of corporate governance policies and procedures applicable to the company are developed and reviewed on a regular basis.
- Make recommendations to the Board on the adoption or amendment of corporate governance policies and procedures.
- Review and discuss any reports concerning a breach of fiduciary duty.
- Hold executive sessions with the CEO, EGM Finance & Governance and other senior management to discuss private matters with the Committee, as required.
- Act as a forum for communication between the Board and senior management and external, market and internal auditors.
- Review the effectiveness and level of cooperation between management, the external auditor, the market auditor, the risk management function and the internal auditors.
- Conduct special investigations, if required.
- Perform any other duty or undertaking that the Board may request from time to time.

## 10 Reporting

In addition to providing the Board with a copy of the agenda, Committee papers and minutes of its meetings, the Committee will ensure that:

- The Committee chair reports to the Board on Committee meetings, regarding all relevant matters and appropriate recommendations, for noting or approval by the Board.
- The Committee addresses any other reporting responsibilities.

## 11 Review

To ensure that the Committee is fulfilling its stewardship duties to the Board, the Committee will:

- Review, at minimum every two years, the Committee Charter and recommend to the Board any appropriate amendments for approval.
- Review the annual workplan, as required, incorporating any changes in the Charter, noting that updates of the workplan will be approved by the Committee.
- Conduct an annual assessment of its performance against its Charter duties and responsibilities and provide a report of findings to the Board.



## 12 Definitions

The following words have the following meaning when used in this Charter.

<b>AEMO</b>	Australian Energy Market Operator Limited and includes its subsidiaries
<b>Board</b>	The directors formally appointed to the AEMO Board
<b>Chair</b>	A Director formally appointed to the role of Board Chair or Committee Chair
<b>Charter</b>	An AEMO Board approved document outlining the role and responsibilities of the AEMO Board or one of its approved sub Committees
<b>Committee</b>	An approved Committee of the AEMO Board that has its role and responsibilities defined within an approved Committee Charter, comprising a number of appointed members and a chair
<b>Significant</b>	When there is a material possibility that not bringing the issue/matter to the attention of the Committee could lead to a misstatement, misunderstanding or underestimate, individually or when aggregated with others, that would have a material effect on the financial statements and/or risk profile of the AEMO Group.

# Finance, Risk and Audit Committee Annual Workplan

Recommended  As required

Scheduled meetings	Feb	Apr	Jun	Aug	Oct	Dec
<b>Foundation</b>						
Review Committee Charter and annual workplan						
Assess Committee’s independence, financial literacy, skills and experience						
Determine number for meetings for next financial year						
Committee chair to determine meeting agenda and required attendees, including management and assurance providers						
Enhance financial literacy – update on current financial events						
Review of ongoing Committee member education plans						
Conduct assessment of the Committee’s performance against its Charter and provide a report to the Board						
Consider Committee member rotation and succession planning						
<b>9.1 Strategic financial planning</b>						
Review long term corporate finance model outputs and debt requirements, including sensitivity analysis						
Review company revenue and funding models						
Review capital management (financing) plan						
Review capital and operating budgets and forward estimates						
Review and provide feedback to the Board on:						
• Draft annual budget and fees						
• Draft corporate plan strategic financial planning components						
<b>9.2 Assessment of financial information</b>						
Review significant accounting and reporting issues						
Review financial matters affecting the year end						
Review and endorse annual financial statements						

Scheduled meetings	Feb	Apr	Jun	Aug	Oct	Dec
Review annual CEO and EGM Finance/CFO attestations for annual reporting						
Review with management its evaluation of internal control structure and procedures for financial reporting, including any significant deficiencies or material weaknesses						
Annually review and discuss with management and the external auditors, management's assessments of the effectiveness of internal control structure and procedures for financial reporting						
Review and discuss any reports concerning evidence of material violation or breaches of fiduciary duty						
Review and discuss any reports submitted by the external auditor detailing any instances of fraud or possible illegal acts on the part of senior management						
Review significant accounting and reporting issues						
<b>9.3 External audit</b>						
Recommend appointment, evaluation, and removal of the external auditors						
Review audit plan and scope of audit work and any changes thereto						
Recommend terms of engagement and audit fees						
Consider policy in relation to non-audit services						
Review and pre-approve non-audit services						
Consider objectivity/independence and obtain independence declaration from external auditor						
Review external auditor's report and findings and progress on management actions						
Discuss implications of any significant changes in accounting standards						
Discuss appropriateness of accounting policies, estimates and judgements						
Discuss external auditor's view on control environment, including fraud and risk management						
Resolve any disagreement between management and the external auditor in the financial reporting and report any significant issues to the Board						
Discuss issues with auditor in the absence of management						
Ongoing communication (written/oral) between the external auditor with the Committee						
Review report from external auditor on quality control procedures						
Review the external auditors process for rotation and approach for management transition						

Scheduled meetings	Feb	Apr	Jun	Aug	Oct	Dec
<b>9.4 Market audit</b>						
Recommend appointment, evaluation and removal of market auditors				█		
Review market audit plan	█	█	█	█	█	█
Review significant market audit reports and findings	█	█	█	█	█	█
Review progress on management actions	█	█	█	█	█	█
Discuss issues with the market auditor in the absence of management	█	█	█	█	█	█
<b>9.5 Internal audit</b>						
Approve appointment and review performance	█	█	█	█	█	█
Review internal audit Charter	█	█	█	█	█	█
Review internal audit plan and any changes required to the plan including any resource issues	█	█	█	█	█	█
Review progress against the internal audit plan	█	█	█	█	█	█
Review significant internal audit reports and findings	█	█	█	█	█	█
Discuss issues with the internal auditor in the absence of management	█	█	█	█	█	█
Review the performance of the internal auditor, including organisational structure, qualifications and independence (undertaken by external party periodically, e.g. every 2-3 years)				█		
<b>9.6 Risk management and internal controls</b>						
Review risk management policy and risk management system	█	█	█	█	█	█
Review risk profile, appetite and tolerance	█	█	█	█	█	█
Review internal controls and report to the Board	█	█	█	█	█	█
Review operational effectiveness of risk policies and procedures and internal control environment	█	█	█	█	█	█
Review the effectiveness of the company's insurance activities	█	█	█	█	█	█
Ensure effective remuneration risk and controls are linked to the overall risk profile	█	█	█	█	█	█

Scheduled Meetings	Feb	Apr	Jun	Aug	Oct	Dec
<b>9.7 Compliance</b>						
Review legal and regulatory matters that may have a material impact on the company						
Review compliance report from management						
Review whistleblowing arrangements and reports						
Review fraud report						
<b>9.8 Governance</b>						
Monitor corporate governance policies and procedures applicable to the company						
Make recommendations to the Board on the adoption or amendment of corporate governance policies						
Meet with senior management executives, as required						
Review level of cooperation between management, external, market and internal audit						
Conduct special investigations and perform other activities, as appropriate						
<b>10 Reporting</b>						
Maintain minutes and report to the Board						
Maintain schedule of key policies for Committee review						