

# Finance, Risk and Audit Committee Charter

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# 1 Role of the Committee

- a) The Finance, Risk and Audit Committee (Committee) is a committee of the AEMO Board of Directors (Board) and established pursuant to clause 8.8 of the AEMO Constitution (Constitution). The Committee is accountable to the Board for its performance.
- b) The role of the Committee is to support and advise the Board in the discharge of its corporate governance and oversight responsibilities, and to exercise due care, diligence and skill, over accounting and financial reporting, financial audit, market audit, internal audit, enterprise portfolio assurance, risk management, compliance and associated governance matters.
- c) This Charter describes the role, structure, responsibilities and membership of the Committee.

# 2 Authority

- a) Except where stated to the contrary, the responsibility for, and the power to make, decisions with respect to the matters set out in this Charter remains with the Board. The Board, pursuant to clause 8.8 of the Constitution, has delegated a number of its powers to the Committee. These delegations are captured in Annexure 1 to this Committee Charter. Issues requiring approval where the Committee does not have such authority to approve will be referred to the Board with the Committee's recommendation.
- b) The Board has authorised the Committee, within the scope of responsibilities and duties set out in this Charter to:
  - i. perform the activities required to address its responsibilities and duties including approving matters within its delegated authority and make recommendations to the Board;
  - ii. resolve any disagreement between management and the external financial auditor, with areas of significant disagreement being advised to the Board;
  - iii. select, engage and approve the fees (within operational limits) for professional advisers that the Committee may require to carry out its duties; and
  - iv. subject to meeting protocol:
    - require the attendance of any Company manager or staff member at meetings, as appropriate; and
    - have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter;
  - v. obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience.

# 3 Membership

## 3.1 Committee Chair

- a) The Board Chair is responsible for nominating the Committee Chair for approval by the Board.

- b) The Committee Chair;
  - i. must be an independent, non-executive Director;
  - ii. must not be the Chair of the Board; and
  - iii. is not entitled to a second or casting vote.
- c) The Committee Chair is responsible for leading and ensuring the effective operation of the Committee, fostering an open, inclusive environment, and ensuring adequate time is dedicated to the discussion of matters. The Committee Chair has specific responsibility to:
  - i. act as the primary liaison between the Board and any other Board Committees; and
  - ii. communicate with the Board Chair and relevant Management to ensure quality of reporting and that the Committee has the information necessary to facilitate informed consideration of issues and decision-making.
- d) The Committee Chair is not entitled to a second or casting vote.

### 3.2 Deputy Committee Chair

- a) Should the Committee Chair be absent from a meeting or unable to vote on a particular matter, the Deputy Chair will act as the Chair for that particular meeting or item. The Role of the Deputy Committee Chair is to assist the Committee Chair and assume the role of the Committee Chair if the Committee Chair is unavailable or conflicted.
- b) The Board Chair is responsible for nominating the Deputy Committee Chair for approval by the Board.
- c) Should both the Committee Chair and Deputy Committee Chair be absent from a meeting, the Committee members present must appoint a Chair for that particular meeting.

### 3.3 Committee Members

- a) The Board Chair is responsible for nominating Committee Members for approval by the Board. The Committee will be composed of at least three (3) Members.
- b) 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.
- c) The Company will assist the Committee in maintaining appropriate financial literacy. The Company is responsible for providing new Committee 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, to support the Committee in delivery of its responsibilities.
- d) The Board Chair has 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.
- e) Committee Members are expected to discharge their roles in accordance with the requirements set out in Section 4 of the Board Charter (Role of Individual Directors).
- f) Directors of the Board who are not Committee Members will be invited to attend Committee meetings as required.

- g) The Committee may invite attendance from independent advisors and any other persons considered appropriate to attend meetings of the Committee.
- h) Any Committee Member may, with approval of the Committee Chair, and at the Company's expense, attend seminars and training courses on issues relating to the functions and responsibilities of the Committee.

### 3.4 Conflict of Interest

- a) It is the responsibility of a Committee Member to disclose any actual, potential or perceived conflict of interest to the Committee Chair who will decide whether a Committee Member be restricted from the meeting materials and/or meeting deliberations for a particular matter. A register of interests will be maintained by the Committee Secretary to demonstrate transparency and as a safeguard against conflicts of interest.

### 3.5 Committee Secretary

- a) The Group Company Secretary or their designate is the Committee Secretary.

## 4 Responsibilities and Duties

The responsibilities and duties of the Committee are:

### 4.1 Accounting and financial reporting

- a) Review all published financial statements of the Company (including climate-related financial statements), which require the approval of the Board, based on the recommendation of the Committee, and hold discussions regarding financial statements with the external financial auditor and management before submission to the Board.
- b) Throughout the year the Committee will pay specific attention to:
  - i. the consistency of accounting policies and appropriate adoption of any new accounting standards;
  - ii. considering the need for, appropriateness of and correct disclosure of any changes made to the Company's accounting policies;
  - iii. the treatment and disclosure of complex or unusual transactions, including off-balance sheet structures;
  - iv. significant judgements made by management in preparing the financial statements, including any significant accounting estimates; and
  - v. going-concern assumptions.
- c) Review annually, the written attestations provided by the CEO and EGM Finance & Governance for Australian reporting purposes.
- d) Review any significant accounting and reporting issues, including professional and regulatory announcements, and understand their effect on the Company's financial statements.

### 4.2 External Financial audit

- a) Recommend to the Board the appointment, evaluation and removal of the external financial auditors.
- b) Review and approve the external financial auditor's proposed audit plan and audit approach, including materiality levels.

- c) Review and agree on the terms of engagement and the audit fees for the external financial auditors prior to the commencement of each year's audit plan.
- d) Review the independence and objectivity of the external financial auditors, rotation and succession of audit and review partners and their compliance with all relevant independence requirements, including the level of non-audit services required and the independence declaration required under the Corporations Act.
- e) 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 financial auditor.
- f) Discuss the appropriateness of accounting policies, estimates and judgements.
- g) Review the external financial auditor's summary management report, detailing the results and significant findings from the audit and management responses.
- h) Meet regularly with the external financial auditor, without management present.
- i) Resolve any disagreements between management and external financial auditors in the financial reporting and advise any significant issue to the Board.

#### 4.3 External Market audit

- a) Make recommendations to the Board on the appointment, or if necessary, the replacement of the external market auditor.
- b) Review progress against the external market audit workplan.
- c) Review and agree on the terms of engagement and the audit fees for the external market auditors prior to the commencement of each year's audit plan.
- d) Consider the major findings of external market audits and review management's response in terms of content and timeliness. Monitor management's implementation of external market audit recommendations.
- e) Periodically review the performance of external market auditors, including their independence and objectivity.
- f) Discuss issues with the external market auditor in the absence of management.

#### 4.4 Internal audit

- a) Approve the appointment, remuneration and removal of the head of internal audit.
- b) Periodically review the performance of the internal audit function, including its independence and objectivity.
- c) 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.
- d) Approve the Internal Audit Charter and Internal Audit Framework to ensure the appropriate organisational structure, authority, access and reporting arrangements are in place, including appropriate resourcing of the internal audit function.
- e) Provide input into the development of and approve and review progress against the Internal Audit Workplan.
- f) Consider the major finding of internal audit reports and review management's response in terms of content and timeliness.

- g) Monitor management's implementation of internal audit recommendations.
- h) Discuss issues with the GM Internal Audit as necessary and the internal audit firm/s in the absence of Management.

#### 4.5 Enterprise Portfolio Assurance

- a) Review and approve the Portfolio Assurance Plan.
- b) Review reports on major Portfolio Assurance activities.

#### 4.6 Risk management

- a) 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.
- b) Monitoring of the Company's risk profile developed by management, covering principal enterprise-wide risks, including strategic, operational, legal, and financial risks and the Company's risk appetite.
- c) Review the effectiveness of the Company's insurance activities.
- d) Monitor and review the Company's risk culture including proposed changes to facilitate a sound risk culture being developed and maintained.

#### 4.7 Compliance

- a) Review the effectiveness of the Company's approach to achieving compliance with laws, regulations, industry codes and Company policies (noting WH&S compliance, Code of Conduct Policy and organisational culture are within remit of People & Remuneration Committee).
- b) Obtain regular updates from management, General Counsel and Group Company Secretary regarding compliance matters that may have a material impact on the Company's activities.
- c) Review reporting on legislative and regulatory compliance, including any material instances of breach or non-compliance.
- d) 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 and/or review any fraud reports.
- e) Review compliance with exemption criteria and reporting requirements where the Company has been exempted from the need to hold a licence or authorisation required under legislation.
- f) The Committee is committed to an effective Whistleblower program at AEMO and will oversee the process for dealing with disclosures received in accordance with the AEMO Group Whistleblower Protection Policy and procedures, and also complaints regarding matters relating to audit, the financial statements, internal controls or possible fraud.

#### 4.8 Governance

- a) Monitor that an appropriate set of policies and procedures applicable to the Company are developed and reviewed on a regular basis.
- b) Make recommendations to the Board on the adoption or amendment of corporate governance policies and procedures.

- c) Hold executive sessions with the CEO, EGM Finance & Governance and other senior management to discuss private matters with the Committee, as required.
- d) 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.
- e) Conduct special investigations, including commissioning external consultants if required.

#### 4.9 Other matters

- a) Perform any other duty or undertaking that the Board may request from time to time.
- b) The Committee will examine any other matters referred to it by the Board. The Committee will also receive and provide reports and referrals from and to any other Board Committee on matters that the respective Chairs of those committees consider to be appropriate.

## 5 Meetings

- a) The Committee Chair, the Board Chair, or any other Committee Member may call a meeting of the Committee.
- b) The Committee Chair may waive the five business days' notice period if agreed by all Committee Members.

#### 5.1 Attendance

- a) The Committee must meet at least four times per year. If a Committee Member is unable to be physically present they may participate by video or tele-conference.
- b) Three (3) Committee Members constitute a quorum.
- c) A standing invitation shall be issued to the Chief Executive Officer and the EGM Finance & Governance.

#### 5.2 Agenda

- a) A notice of each meeting, with relevant supporting agenda papers, confirming the date, time and venue is to be forwarded to each Committee Member at least five (5) business days before each meeting.

#### 5.3 Minutes

- a) The Committee Secretary or delegate must prepare the minutes of Committee meetings on a timely basis.
- b) After the Committee Chair has given preliminary approval, draft minutes are to be circulated to all Committee Members.
- c) The minutes of meetings must be confirmed and signed at the next Committee meeting.
- d) Committee minutes will be reported to the Board for noting.

#### 5.4 Reporting

- a) In addition to providing the Board with a copy of the agenda, committee papers and minutes of its meetings, the Committee will ensure that:
  - i. the Committee Chair reports to the Board on Committee meetings, regarding all relevant matters and recommendations, for noting or approval by the Board; and



- ii. the Committee addresses any other reporting responsibilities.

## 6 Review

- a) This Charter is owned and updated by the AEMO Board. The Committee is authorised by the Board to make minor amendments to this Charter as required.
- b) To ensure that the Committee is fulfilling its duties to the Board, the Committee will:
  - i. review, at least biennially, the Committee Charter and recommend to the Board any appropriate amendments for approval;
  - ii. develop and review an annual Committee workplan; and
  - iii. conduct an annual assessment of its performance against its Charter responsibilities and duties and provide a report of findings to the Board.

## 7 Definitions

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

Term	Definition
AEMO	Australian Energy Market Operator Limited and includes its subsidiaries
Board	The Directors of AEMO
Chair	A Director appointed to the role of Board Chair
Charter	An AEMO Board approved document outlining the role and responsibilities of the AEMO Board or one of its approved committees
Committee	An approved committee of the AEMO Board that has its role and responsibilities defined within an approved Committee Charter, comprising a Committee Chair and a number of appointed Committee Members
Committee Chair	A Director appointed to the role of Committee Chair by the Board
Committee Member	A Director appointed to the role of Committee Member by the Board
Deputy Committee Chair	A Director appointed to the role of Deputy Committee Chair by the Board
Director	A person holding office as a director of Australian Energy Market Operator Limited
Group Company Secretary	An officer appointed to the role of Company Secretary by the Board. The Group Company Secretary or their designate fulfils the role of Committee Secretary.

## Annexure 1 – Delegations to the Committee

Listing of current Finance, Risk and Audit Committee Board delegations

Nature of Delegation	Date of AEMO Board approval