



**Charter of the Audit and Risk
Management Committee of
Genex Power Limited**

ACN 152 098 854

GENEX POWER LIMITED

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(Company)

Charter of the Audit and Risk Management Committee

1. Introduction

- 1.1 This Charter governs the roles, responsibilities, composition and membership of the audit and risk management committee (**Committee**) of the Company.
- 1.2 The operation of the Committee is also governed, where applicable, by the constitution of the Company.

2. Objectives

2.1 Audit

The purpose of the Committee is to assist the board of directors of the Company (**Board**) in fulfilling its corporate governance and oversight responsibilities by:

- (1) monitoring and reviewing:
- (a) the integrity of financial statements;
 - (b) the effectiveness of internal financial controls;
 - (c) the independence, objectivity and competency of internal and external auditors; and
 - (d) the policies on risk oversight and management; and
- (2) making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

Ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board notwithstanding the establishment of the Committee.

2.2 Risk Management

The purpose of the Committee is to also assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company.

Ultimate responsibility for risk oversight and risk management rests with the full Board notwithstanding the establishment of the Committee.

3. Composition

3.1 Members

The Committee must only consist of non-executive directors. The Committee must have a minimum of three members, with the majority of members being independent directors.

The members of the Committee will be appointed and removed by the Board.

3.2 Expertise

Each member of the Committee must be able to read and understand financial statements.

The Committee must also include where available:

- (1) at least one member who is a qualified accountant or other professional with experience of financial and accounting matters; and
- (2) some members who have an understanding of the industry in which the Company operates.

Members of the Committee must have an appropriate level of understanding of the principles of corporate governance, including knowledge of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Recommendations**).

3.3 Chair and Secretary

The Board will appoint an independent chair to the Committee (**Chair**). The Chair must not be the chair of the Board.

The Company secretary will act as secretary of the Committee (**Secretary**) unless determined otherwise by the Board.

4. Meetings

4.1 Frequency

The Committee will meet as frequently as required in order to undertake its role effectively but must, at a minimum, meet twice a year.

The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee.

4.2 Agenda and notice

The Secretary will be responsible, in conjunction with the Chair, for drawing up the agenda (supported by any necessary explanatory documentation) and circulating it to Committee members prior to each meeting. The Secretary must notify members of the Committee of the date, time and location of Committee

meetings as far in advance as possible, but not less than 2 days before the meeting unless otherwise agreed.

4.3 **Quorum**

A quorum for Committee meetings will be at least two members, save that one of the members of the quorum must be an independent director.

4.4 **Minutes**

The Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable after the close of the meeting.

The minutes should ordinarily be included in the papers for the next full Board meeting after each Committee meeting.

4.5 **Attendance**

The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate. Voting at Committee meetings is restricted to Committee members. Any member of the Board may attend a meeting of the Committee as an invitee on request.

The external auditor will be invited to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings.

5. Powers

5.1 **Access**

The Committee has unrestricted access to management, internal and external auditors and all Company records for the purpose of carrying out its responsibilities under this Charter.

The Committee must be provided with all necessary access to the internal audit function without the presence of management and will meet with the internal auditor, in the absence of management, not less than once a year.

The Committee will meet with external auditors, in the absence of management, as often as required, but not less than once a year.

5.2 **Investigations**

The Committee has the power, without management present, to:

- (1) conduct any investigations;
- (2) seek explanations and additional information;
- (3) engage any independent experts; and

- (4) access any internal or external auditors,

that it considers necessary or requires to help it fulfil its duties. Costs associated with these investigations will be borne by the Company.

6. Responsibilities

6.1 Risk oversight and management policies

The Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Committee, management and the internal audit function.

The policies should cover the areas of oversight, risk profile, risk management, compliance and control and assessment of adequacy and effectiveness.

6.2 Risk management and risk profile

The Committee is responsible for:

- (1) maintaining an up-to-date understanding of areas where the Company is, or may be, exposed to risk and compliance issues and seek to ensure that management is effectively managing those issues, including:
 - (a) non-compliance with laws, regulations, standards, and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws;
 - (b) important judgments and accounting estimates;
 - (c) litigation and claims;
 - (d) fraud and theft; and
 - (e) relevant business risks not dealt with by other Board committees;
- (2) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
- (3) reviewing the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance and reviewing the completeness and accuracy of the Company's main corporate governance practices as required by ASX Listing Rules;
- (4) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
- (5) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur;

- (6) making recommendations to the Board on the appropriate risk and risk management reporting requirements to the Board and this Committee;
- (7) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
- (8) meeting periodically with senior executives, internal and external auditors and compliance staff to understand the Company's control environment;
- (9) providing advice to the Board on relevant corporate level performance indicators and targets for risk management and compliance activities;
- (10) undertaking an annual review of risk management policy and underlying strategies and procedures to ensure its continued application and relevance;
- (11) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors;
- (12) if considered necessary by the Committee, establishing a periodic and independent review of the implementation and effectiveness of the risk management policy to provide objective feedback to the Board as to its effectiveness;
- (13) receiving and considering reports on risk management and compliance programs and performance against policy and strategic targets;
- (14) reviewing the adequacy of the Company's insurance coverage; and
- (15) examining any matters referred to it by the Board.

6.3 Internal audit function

The Committee is responsible for establishing an internal audit function whose purpose is to analyse the adequacy and effectiveness of:

- (1) the Company's risk management and internal compliance and control system; and
- (2) the implementation of the Company's risk management and internal compliance and control system.

The internal audit function should be independent of the external auditor. The internal audit function and the Committee should have direct access to each other and should have all necessary access to management and the right to seek information and explanations.

6.4 Internal auditors

The responsibilities of the Committee include:

- (1) reviewing the internal auditor's role and responsibilities;
- (2) reviewing the results and effectiveness of the internal audit programs and considering the implications of internal audit findings;

- (3) recommending the scope of the internal audit for Board approval;
- (4) reviewing and approving the appointment and dismissal of senior internal audit executives;
- (5) ensuring the internal audit function is independent of the external auditor;
- (6) reviewing and approving the internal audit plan and work program;
- (7) communicating its expectations to the internal auditor in writing;
- (8) ensuring that the internal audit function has all necessary access to management and the right to seek information and explanations;
- (9) ensuring that the internal auditor reports directly to both the Managing Director or Chief Financial Officer and to the Committee;
- (10) receiving summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;
- (11) ensuring no management or other restrictions are placed on the internal auditors;
- (12) overseeing the coordination of the internal auditors and the external auditors; and
- (13) ensuring the internal auditors are adequately resourced.

6.5 **External auditors**

The responsibilities of the Committee include:

- (1) providing a link between the external auditors and the Board;
- (2) reviewing the performance and independence of the external auditors;
- (3) reviewing procedures for the selection and appointment of external auditors;
- (4) reviewing and providing recommendations on the rotation of external audit engagement partners;
- (5) recommending the appointment, remuneration and terms of engagement of the external auditors;
- (6) making recommendations to the Board on the removal of the external auditor;
- (7) agreeing the terms of engagement of the external auditor before the start of each audit;
- (8) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;

- (9) recommending the scope of the external audit, and any additional procedures with the external auditor, for Board approval;
- (10) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- (11) reviewing and providing oversight of audit reports prepared and issued by the external auditors;
- (12) raising with the external auditor any specific points of divergence with the Company's management;
- (13) monitoring and examining management's response to the external auditor's findings and recommendations;
- (14) ensuring that no management or other restrictions are placed on the external auditors; and
- (15) determining what non-audit services are to be provided by the external auditor.

6.6 **Review of financial reports**

Duties of the Committee include:

- (1) reviewing financial statements for accuracy, adequacy and clarity and ensuring they reflect a true and fair view as a basis for recommendation to and adoption by the Board;
- (2) requiring the Managing Director and any Chief Financial Officer or other internal person responsible for maintaining the Company's financial records, to make signed and written declarations that:
 - (a) the financial records for the financial year have been correctly maintained;
 - (b) the financial statements and notes for the financial year comply with the relevant accounting standards;
 - (c) the financial statements and notes for the financial year give a fair and true view of the financial position and performance of the Company; and
 - (d) any other matters in relation to the financial statements that are materially relevant;
- (3) reviewing financial statements for adherence to accounting standards and policies and the requirements of the ASX Listing Rules and the *Corporations Act 2001* (including continuous disclosure requirements);
- (4) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from internal and external auditors;

- (5) assessing information from internal and external auditors that affects the quality of financial reports;
- (6) reviewing accounting policies adopted by the Company and any changes made to them;
- (7) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;
- (8) reviewing management processes supporting compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information;
- (9) discussing any significant matters arising from the audit, management judgments and accounting estimates with management and internal and external auditors if appropriate; and
- (10) reviewing, and where necessary challenging, the actions and judgment of management in relation to all financial reports.

6.7 Related party transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

7. Reporting

7.1 Reporting to the Board

The Committee must report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues. The report must also include, at a minimum, all matters relevant to the Committee's role and responsibilities, including:

- (1) an assessment of whether external reporting is in line with the information and knowledge of the Committee and whether it is adequate for the needs of the Company's shareholders;
- (2) an assessment of the management processes which support external reporting;
- (3) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (4) assessment of the performance and objectivity of the internal audit function;
- (5) recommendations for the appointment or, if necessary, the dismissal of the head of internal audit;

- (6) assessment of the performance and independence of the external auditors and, where the external auditors provide non-audit services, whether the independence of the external auditors has been maintained; and
- (7) the results of the Committee's review of risk management and internal compliance and control systems.

7.2 Annual report

The Committee must provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance statement of the Company's annual report which relates to the Company's audit policies and practices.

In addition, the following information must be included in the corporate governance statement in the Company's annual report:

- (1) the names and qualifications of those appointed to the Committee and their attendance at meetings of the Committee;
- (2) the number of meetings of the Committee;
- (3) an explanation of any departures from the ASX Recommendations;
- (4) whether the Board has received a report from management as to the effectiveness of the Company's management of its material business risks; and
- (5) whether the Board has received written assurances from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that in all material respects:
 - (a) the financial reports submitted to the Board present a true and fair view of the Company's financial condition and operational results; and
 - (b) the Company's risk management and internal compliance and control system is operating efficiently and effectively.

8. Committee's performance evaluation

- 8.1 The Committee will review its performance from time to time and whenever there are major changes to the management of the Company.
- 8.2 The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this Charter.

9. Review of the Charter

- 9.1 This Charter shall be reviewed annually and revised by the Board as required.

10. Public availability of materials

- 10.1 This Charter or a summary of its main provisions shall be made publicly available on the Company's website in a clearly marked corporate governance section.

Approved by the Board on 1 May, 2014