

# Audit and Risk Management Committee Charter

Last approved by the Board of Directors: 17 July 2018

## 1 Purpose

The function of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities to security holders by:

### Audit

- Monitoring and reviewing the adequacy and integrity of APA's financial reporting and the adequacy and effectiveness of its associated internal controls and processes.
- Monitoring and reviewing the effectiveness of internal and external audit.
- Overseeing and recommending to the Board matters in relation to the external auditor, including their appointment and fees.
- Appointment of the internal auditor and approval of their fees.
- Monitoring and reviewing the qualifications, performance and independence of the external and internal auditors.

### Risk Management

- Reviewing and recommending to the Board APA's risk appetite.
- Reviewing APA's risk management policy and framework to ensure it is adequate and effective for identifying and managing risk.
- Reviewing and monitoring APA's material risks.
- Reviewing and monitoring the adequacy and effectiveness of APA's system of internal controls for managing its material risks.

### Compliance

- Reviewing and approving key compliance policies and APA's compliance management system and framework.
- Reviewing and monitoring the effectiveness of compliance management policies, systems, and practices.
- Reviewing and monitoring compliance with the AFSL and associated compliance plans.

- Reviewing and recommending to the Board for approval the AFSL Compliance Plan(s).

## **2 Membership**

- The members of the Committee will be appointed by the Board from the non-executive directors. Each of the members will be independent, independence being determined according to the Independence of Directors Policy.
- All Committee members will have a working familiarity with basic accounting and finance practices, with at least one having financial expertise (i.e. qualified accountant or other financial professional), and an understanding of the industry in which APA operates.
- The Committee will consist of a minimum of three members.
- 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.
- The Chairman of the Committee will be appointed by the Board. The Chairman of the Board may not be appointed the Committee Chairman. Should the Committee Chairman be absent from any meeting, the members of the Committee present will appoint one of those to be Chair of that meeting.
- The Secretary of the Committee is the Company Secretary, or his or her designated representative.
- The external auditor reports directly to the Committee and, for administrative purposes, the Chief Financial Officer.
- The internal auditor reports directly to the Committee and, for administrative purposes, the Company Secretary.
- The Committee, in its discretion, has direct access to the Chief Financial Officer and Head of Group Risk and Compliance (who reports to the Company Secretary).

## **3 Meetings**

- The Committee will meet a minimum of four times annually and more frequently, if required by the Committee Chairman. Meetings should correspond with the financial reporting cycle.
- A quorum for any meeting of the Committee will be two members.
- The Committee will decide if non-members, other than the Board, should attend meetings. The Committee may request that any officer or employee of APA meet with them or any member and provide information as necessary.
- The external and internal auditors are invited to attend Committee meetings to provide audit reports and discuss audit related agenda items.

The Committee, in its discretion, can request the external or internal auditors to attend more or less of the meeting as required. The provision of the Committee papers, or selected aspects of the Committee papers, to the external or internal auditors is at the discretion of the Committee.

- The Committee will meet at least annually with the external and internal auditors (separately or together) without management present to discuss any matters the Committee or these groups believe should be discussed privately.
- Special meetings may be convened as required. If the external or internal auditor requests a meeting, the Secretary will inform the Committee Chairman of that request and the Committee Chairman will determine whether to convene the meeting.
- The Secretary will circulate the agenda and supporting documentation to the Committee members within a reasonable time before each meeting, and will be responsible for preparing minutes of the meetings (in respect to which see also Section 5 (Reporting)).
- As a minimum, the Committee Chairman (or other Committee member) will attend the Board meetings at which the financial statements (full year and half year) are approved and, as required, provide a summary of the Committee's deliberations, conclusions and recommendations for the Board's endorsement.

#### **4 Authority**

- The Committee is a committee of the Board and will have no authority independent of the functions delegated to it by the Board.
- 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 APA all of whom must co-operate with any request made by the Committee.
- 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.
- The Committee will ensure the attendance of company officers at meetings as appropriate.
- The Committee will ensure there are procedures for dealing with concerns of employees and any complaints received by the company regarding accounting, internal controls or auditing matters.
- The findings of the Committee will not relieve the Board of any of its responsibilities.

## 5 Reporting

- The Committee will regularly update the Board about Committee activities and make appropriate recommendations.
- The Committee will cause the preparation of any reports required by law or listing rules or requested by the Board, including required reports on corporate governance in the Annual Report.
- Copies of the minutes of Committee meetings will be distributed to the external and internal auditors as deemed necessary.
- The Committee Chairman will report to the next Board meeting on any matters under consideration. At the Board's request, any or all of the papers presented to the Committee will be made available to the Board and/or included in the Board papers.
- The minutes of each Committee meeting will be distributed to directors with the papers for the next Board meeting.
- At the discretion of the Committee Chairman and members of the Committee, matters considered to be of major importance will be referred to the Board for its attention.

## 6 Responsibilities

To fulfil its responsibilities and duties, the Committee will:

### 6.1 Financial Reporting Processes

- Review and discuss with management and the external auditor the half year and annual financial reports including notes to the financial accounts and other disclosures and recommend to the Board whether the financial reports should be approved.
- Review APA's accounting and financial reporting policies and practices, including the effect of changes in accounting standards and practices, Australian Securities Exchange listing requirements and corporate legislation. This includes discussing with management and the external auditor the application of those policies, practices and standards to APA's financial reports.
- Review and discuss with the external auditor their report regarding significant findings in the conduct of their audit and management's responses.
- Discuss with management and the external auditor the results of the auditor's work and their overall view on whether the system of internal controls over financial information is operating appropriately.
- Discuss with management and the external auditor the process and related information supporting the semi annual statements made to the Board by the Managing Director and Chief Financial Officer that APA's financial

reports present a true and fair view, in all material respects, of APA's financial condition and operational results and are in accordance with relevant accounting standards.

- Determine that no restrictions are being placed on the internal audit process or the external auditor.

## **6.2 Oversight of External Auditor**

- Recommend to the Board the appointment and termination of the external auditor.
- Review the annual external audit plan with the external auditor and approve the plan and audit fees.
- Review and discuss with the external auditor any matters relating to the conduct of the external audit including management letters from the external auditor and management's responses.
- Ensure that significant findings and recommendations made by the external auditor and management's responses are received, discussed and acted on appropriately.
- Receive and review semi annual reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external auditor.
- Review the Board's policy on maintaining independence of the external auditor and recommend any changes, if necessary.
- Review the performance of the external auditor having regard to the skills and capabilities of the lead external audit staff.
- Meet separately with the external auditor without management personnel present, if required.

## **6.3 Risk Management**

- Review and recommend to the Board APA's risk appetite.
- Review and approve APA's risk management policy and framework for identifying, assessing and managing risk (both financial and non-financial).
- Review at least annually APA's implementation of the risk management policy and framework.
- Regularly review APA's risk profile, as contained in APA's risk registers.
- Monitor the effectiveness of the risk management framework and the system of internal controls and regularly receive and review reports on internal controls and processes.
- Review and evaluate the adequacy of risk management strategies in relation to the maintenance, operations or replacement of assets of APA, and make recommendations to the Board, where appropriate.

- Review and evaluate the adequacy of risk management strategies in relation to any statutory, regulatory or policy requirements, and make recommendations to the Board, where appropriate.
- Receive and review management's report on the effectiveness of risk management and internal control systems in place to manage APA's material risks, and make recommendations to the Board where appropriate.
- Review and monitor APA's insurance arrangements.
- Discuss with management, the Company Secretary and Chief Financial Officer, the process supporting statements made to the Board by the Managing Director and Chief Financial Officer that the integrity of financial statements is founded on a system of risk management and internal compliance and control, and that APA's risk management and internal compliance is operating efficiently and effectively in all material aspects in relation to financial reporting risks.
- Meet separately with the Chief Financial Officer and the Head of Group Risk and Compliance without other management personnel being present, if required.

#### **6.4 Internal Audit**

- Review the resources and organisation of the internal audit function.
- Oversee, review and approve the scope of the annual internal audit plan.
- Review and discuss with the Company Secretary and Chief Financial Officer significant internal audit reports, and/or findings.
- Determine that no restrictions are being placed on the internal auditor.
- Meet separately with the internal audit lead/head to discuss matters that the Committee or internal auditor believes should be discussed privately.
- Ensure that significant findings and recommendations made by the internal auditor and management's responses are received, discussed and appropriately acted on.
- Review the performance of the internal auditor having regard to their qualifications, performance and independence.

#### **6.5 Compliance with laws, regulations, internal policies and industry standards**

- Review and approve key compliance policies and the APA compliance framework.
- Review and recommend to the Board for approval the AFSL Compliance Plan.
- Review and monitor the effectiveness of compliance management systems, policies and practices.
- Monitor the development and ongoing review of appropriate legislative compliance programmes, where applicable.

- Receive, review and discuss with management regular reports on compliance activity.
- Review and evaluate the effectiveness of the internal review process.
- Review and approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistle blowing) and review material complaints and their resolution.
- Meet separately with the Head of Group Risk and Compliance and Company Secretary and General Counsel without management personnel being present, if required.

#### **6.6 Other responsibilities**

- Any other relevant matters or special projects referred by or delegated to the Committee by the Board.
- Monitor the standard of corporate conduct in areas such as arms length dealings and likely conflicts of interest.

#### **6.7 Review (Maintenance and Monitoring Effectiveness)**

- Address training needs of Committee members on matters considered relevant by the Committee.
- Review and update the Committee Charter annually and changes required should be recommended to the Board for approval.
- Ensure that the Charter is approved by the Board.
- The Committee should review its own performance annually as part of the overall Board performance assessment process.