

Audit and Risk Committee Charter

The Audit and Risk Committee (**Committee**) is a committee of the Board of CS Energy Limited (**CSE**).

This Charter outlines the role and responsibilities as well as the composition and meeting requirements of the Committee.

Role of the Committee

The Committee assists the Board to discharge its responsibilities for establishing and monitoring effective governance, risk and compliance management to provide reasonable assurance that the Company's financial and non-financial objectives are achieved and accurately reported.

The Committee is a Board committee and not an executive committee. As such it must not perform any management functions or assume any management responsibilities and will have an objective, independent role. However, the Board has delegated specific and general authority for the Committee to make decisions on behalf of the Board as detailed in Authority and Delegation below.

The Committee's primary role is to ensure that Management has effectively implemented policies, practices and systems to:

Governance, Risk and Compliance

- Comply with all applicable laws, regulations and company policies, including in regard to financial statements;
- Manage risk, so that the Company achieves its objectives within the risk appetite of the Board;
- Align strategy and risk and engage with the Board on strategic risks in a way that is comprehensive, timely and relevant; and
- Provide an adequate system of internal control, (Internal Control Framework) including management of business financial risk and safeguard of assets.

Audit and Reporting

- Provide the Board, for its approval, with financial reporting and other disclosures which are 'true and fair' and comply with legislation and accounting standards;
- Support an independent and effective Assurance function to provide reasonable assurance regarding the effectiveness of the internal control framework to the Board; and
- Address recommendations arising from External Audit and internal Assurance reviews.

Operational Effectiveness

The Committee may also from time to time consider matters in relation to operational effectiveness.¹

¹ Operational Effectiveness includes asset management and performance, financial, procurement, contract management and business systems.

Key Responsibilities

The Committee will:

Governance, Risk and Compliance

- Approve and oversee the operation, management and implementation of the Governance, Risk and Compliance (**GRC**) Policy and report to the Board at least annually as to the adequacy, appropriateness and effectiveness of the Company's GRC management;
- Approve the Risk Appetite Statement and ensure that CSE's risks are managed within this appetite;
- Review reports from Management on any material breakdown of internal controls (including incidents of fraud); and
- Ensure that Management has implemented and is providing appropriate oversight of the Company's legal and regulatory compliance processes, including any current legal proceedings.

Market Risk and Strategy

- Approve and oversee the operation, management and implementation of the Market Risk Policy;
- Oversee the operation and reporting of the Market Risk Committee through the review of meeting minutes, and provide direction and guidance on the management of market risks for consideration by that management Committee; and
- Monitor the Revenue Strategy business environment and strategy.

External Reporting

- Review the Annual Report (including financial statements) with Management and External Audit and recommend it for approval to the Board;
- Review the appropriateness of the Company's accounting policies and principles in relation to the financial statements, ensuring compliance with laws, regulations, Australian Accounting Standards and other requirements relating to external reporting of financial information; and
- Review Management explanations for complex or unusual transactions, material estimates or judgements and significant variances from prior year results or current year budget.

Audit

- Consult with the external auditor on the nature and scope of the work programs of External Audit;
- Sponsor CSE's Internal Assurance function, approving its Plan, reviewing reports and being directly accessible, via the Committee Chair; and
- Review and monitor Management's responsiveness to External Audit and Internal Assurance findings.

Authority and Delegation

The Committee will act in terms of the delegated authority of the Board as recorded in this Charter. It has the power to investigate any activity within the scope of this Charter.

Despite the delegations below, the Committee Chair may determine, at their discretion, that any matter should instead be referred to the Board for the Board's consideration.

Specific Delegations

The Committee is delegated authority to approve Standards which are subordinate to the Governance, Risk and Compliance Policy, including:

- Governance Framework;

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- Enterprise Risk Management Framework; and
- Compliance Program.

The Committee is also delegated authority to approve the:

- Insurance strategy and placement (within Board approved budget and five year forecast);
- CSE policies for – Asset Management, Market Risk, Group Financial Policies, Governance, Risk and Compliance;
- Assurance Charter;
- Annual Assurance Plan; and
- Assurance recommendations and agreed corrective actions (including scope and timeframe and Management requested changes).

These specific delegations preclude the Chief Executive (or their sub-delegates) from approving these items, unless the Committee makes a specific sub-delegation in relation to them.

General Delegations

The Committee may also consider and approve, on behalf of the Board, any matter recommended to it by Management (whether it wholly or partly accepts the Management recommendation, or not), where the matter:

- is directly relevant to the Role of the Committee or Key Responsibilities above;
- is not noted above as one which is recommended to the Board;
- does not more directly rest with another Board Committee; and
- is not reserved to the Board in the Authorities and Delegation or any other policy.

In the event of any doubt (raised by Directors or Management) as to whether the Committee has delegation to decide or investigate a matter, the Committee Chair may determine whether the decision is within the delegation of this Committee. The determination of the Chair and the decision is to be reported to the next Board meeting.

These general delegations do not preclude the Chief Executive (or their sub-delegates) from exercising duly delegated authority in these matters

Composition

The Board will appoint at least three non-executive Directors to the Committee who, in the opinion of the Board:

- Are independent of the Company management and free from any relationship that, in the business judgment of the Board, would interfere with the exercise of their independent judgment as a member of the Committee; and
- Have sufficient financial knowledge and industry understanding to enable them to discharge their duties.

The Chair of the Committee will be a member of the Committee, other than the Chair of the Board of Directors, appointed by the Board.

Quorum

A quorum consists of two Committee members entitled to be present at the meeting. Where only one Committee member is available, then any other Board Director may attend to constitute a quorum.

If the Chair is not available within five minutes of the scheduled start time of a meeting, then the Committee will elect an interim Chair from among the members for that meeting.

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Term of Membership

The term of membership will endure whilst each member remains a Director of CSE or until such time as the Board determines otherwise.

The Board will review membership of the Committee and its performance and effectiveness on an ongoing basis.

Vacancies on, or absences from, the Committee will be addressed by the Board as required.

Meetings

The Committee will determine the frequency of regular meetings and such additional meetings as the Chair decides to fulfil its duties. As a default, the Committee should meet on a quarterly basis to discharge its overall duties, plus once annually to review the draft annual financial statements.

The Chair may call a specific Committee meeting if requested to do so by the Board, any Director of the Board, External Audit or Assurance.

Secretariat

The Company Secretary is the Secretary of the Committee, and will be jointly responsible with the Head of Risk and Compliance and the Assurance Manager for settling the agenda which will be agreed with the Chair and circulated to Committee members, prior to a meeting.

The Secretary will be responsible for keeping the minutes of the meetings of the Committee. Draft minutes will be prepared by the Secretary who will use best endeavours to circulate them to the Committee Chair within 5 working days of the date of the meeting for comment and then to all Committee members within a further 5 working days. Following receipt of any comments, the updated minutes will be provided to the Committee Chair for consideration prior to formal acceptance at the subsequent Committee meeting.

Access

The Committee has authority to seek any information it requires from any officer or employee of the Company.

The Committee will have reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.

The Committee may invite or direct any party, including senior executives, to attend meetings or not, for particular agenda items and participate in discussions concerning specific issues. The Committee may meet with External Audit or Assurance without Management present.

The Committee has the authority to consult independent experts for advice, as it reasonably considers necessary to execute its duties and responsibilities.

External Advice

To the extent that a Director requests independent professional advice on particular matters under the scope of this Charter, the provisions of the Board Charter may be relied upon to seek that advice.

The Committee may direct any special investigations or obtain independent advice where considered necessary to discharge its responsibilities.

Committee Reporting Process

The Chair will report the findings and recommendations of the Committee to the Board of Directors after each Committee meeting.

The Committee may refer Governance, Risk and Compliance or Audit and Assurance matters to other Board Committees where this falls within the scope of their Charter.

Committee Reporting and Self Evaluation

A summary of the role of the Committee may be included in the Company annual report.

Committee self evaluation will be conducted as part of the full board evaluation and self assessment processes.

Review of Committee Charter

The Committee will review this Charter at least annually and recommend any changes to the Board.

Conflicts and Conduct

Committee members will comply with the Board and CSE's standard and procedures in relation to management of conflicts of interest.

Directors are expected to abide by the CSE [Code of Conduct](#).

The Board of CSE has also elected to adopt the [Director Code of Conduct](#) from the Australian Institute of Company Directors.