

1. Purpose

The Audit, Finance and Risk Committee of the SunWater board assists the board in fulfilling its responsibilities for oversight of the quality, adequacy and integrity of the company's finance, audit (internal and external) and risk management practices.

2. Role

The role of the Audit, Finance and Risk Committee is to assist the board to discharge its responsibilities by making recommendations particularly with respect to the following areas:

- ensuring the accuracy and integrity of the company's financial reporting
- ensuring that internal controls are established and maintained in order to safeguard the company's financial and physical resources
- ensuring appropriate action is taken regarding external audits
- ensuring that systems and procedures are in place in order that the company complies with relevant statutory and regulatory requirements, and
- assessing both financial and non-financial risks arising from the company's operations and considering the adequacy of measures taken to manage those risks.

The committee's responsibilities are further outlined in **Attachment A**.

The committee is to act as a forum by which members can maximise their contributions to board deliberations.

3. Membership

The following shall apply regarding committee membership:

- The committee shall consist of at least three members appointed by the board. At least one of these members should have appropriate financial expertise
- At least two committee members shall be independent, non-executive directors
- The board may, subject to the consent of the shareholders, appoint outside experts to the committee if it believes it is desirable to do so
- Committee members shall be appointed by the board for such term as the board considers appropriate
- The Chairman of the committee shall be appointed by the board but shall not be the Chairman of the board.

All members of the board, not formally appointed to the committee, have a standing invitation to attend meetings of the committee.

The CEO and Executive General Manager Customers and Corporate will normally be invited to attend committee meetings but not as a member of the committee. Other senior staff may also attend committee meetings as considered appropriate by the CEO and with the agreement of the committee Chairman.

committee members' terms and conditions are to be determined by the board. Committee members' appointments should be staggered so that a core of experienced members is retained.

4. Authority

Unless expressly delegated by the board, the committee does not have decision-making powers but acts on the direction of, and makes recommendations to, the board.

The committee has the authority to:

- require members of the company's management to attend meetings and provide advice or information
- access the company's documents and records, and
- meet with and discuss issues with QAO and any internal audit providers.

5. Meetings and procedures

The following shall apply regarding committee meetings.

- The quorum for meetings shall be a minimum of two members
- If the committee Chairman is absent from any meeting of the committee, the members of the committee present will appoint a Chairman for that meeting
- The committee Chairman is required to call a meeting of the committee if requested to do so by the Board or not less than two committee members
- In accordance with its role and responsibilities outlined in this document, the committee should determine its own agenda
- There is no formal voting procedure given the committee doesn't have delegated decision-making authority. However, dissenting views of committee members will be recorded in the minutes of the committee meeting and reported by the committee Chairman to the board
- The committee will meet at least four times per year and at such additional times as the committee considers necessary
- Agendas and other papers for committee meetings will be provided to committee members at least five business days prior to the date set for the relevant committee meeting.

The secretary will be responsible for keeping minutes of committee meetings and coordinating the preparation, distribution and confirmation of other committee papers.

The committee shall prepare an annual board calendar outlining standard activities and events to be undertaken by the committee each year.

6. Conflicts of interest

The Directors' Conflict of Interest policy applies to all proceedings of the committee. In accordance with that policy, committee members are required to declare any interests that could constitute an actual, potential or perceived conflict of interest with respect to their participation on the

committee. Such declarations must be made on a member's appointment to the committee and in relation to specific agenda items at the outset of each committee meeting.

7. Secretary

The Company Secretary will be the secretary of the committee and is responsible for:

- in consultation with the committee Chairman, preparing and sending notices of meetings and agendas to committee members, and
- recording and keeping minutes of committee meetings and attending to coordinating the preparation, distribution and confirmation of other committee papers as required.

8. Relationships

Internal Audit

The committee will act as a forum for overseeing the planning, monitoring and reporting processes regarding internal audit including a recommendation to the board on an appropriate annual internal audit plan. This process will form part of the governance processes that ensure that internal audits assist the committee with assurance that internal controls are working effectively and are value adding to the business.

The firm or person undertaking internal audits will have a standing invitation to attend committee meetings.

External Audit

The committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the discussion of external audit findings and will consider these findings in the context of the views of management.

Representatives of the company's external auditor will have a standing invitation to attend committee meetings.

At any time at the request of the External auditor and at least once per annum, the committee will meet with the external auditor absent management.

9. Reporting

Minutes of committee meetings shall be included in the board papers for the next subsequent board meeting. In addition, the committee Chairman shall provide a verbal report to the board on the committee's activities.

At the beginning of each year, the committee will provide the board with a program of the committee's planned activities for the coming year. The committee will report on achievement of this program of work at the end of each year.

10. Review

The committee shall review this charter annually together with the performance of its role and responsibilities. Any recommended changes should be presented by the committee to the board for approval.

A board performance evaluation may specifically include an evaluation of the committee.

From time to time, the board may review the structure, role and performance of board committees and make such changes as it considers desirable.

Attachment A: Audit, Finance and Risk Committee responsibilities

Financial oversight

- Conduct a review of the effectiveness of the budget and forecasting and reporting processes used by management
- Review the annual budget and make recommendations to the board regarding pricing
- Make recommendations to the board on all matters concerning the financial management and financial position of the company
- Review the annual financial statements prior to board approval
- Review significant accounting and reporting issues and understand their effect on the company's financial reports
- Review the accounting policies and practices adopted by the company
- Assess whether the resources devoted to the company's finance function are adequate to ensure a high standard of record keeping and financial reporting
- Review financial policies prior to them being approved by the Board
- Assess matters relating to ethics and integrity across the company including the efficiency of the Code of Conduct

Internal controls and audit

- Make recommendations to the board in relation to the terms of engagement and evaluation of the internal auditor
- Consider the effectiveness of the company's internal control system including information technology security and control
- Review and approve the internal audit plan
- Review significant findings of internal audits and actions proposed by management

External audit

- Make recommendations to the board in relation to the terms of engagement and evaluation of the external auditor
- Liaise with the external auditors concerning the audit plan
- Review the reports of the external auditor and management responses to issues raised
- At least annually, review with the external auditor, without management present, the quality the company's accounting and risk management policies and procedures
- Review any findings and recommendations of the external auditor
- Assess the completeness and quality of financial information being provided to the board

Compliance

- Assess the adequacy of the company's policies and procedures to monitor and ensure compliance with laws, regulations and contractual obligations

- Review the findings of any examinations by regulatory agencies
- Obtain regular updates from management about compliance matters
- Review the company's compliance with applicable accounting standards and legislation in the preparation of financial reports

Risk management

- Review and recommend to the board matters relating to the board's risk appetite
- Review the company's risk profile (financial and non-financial) to ensure that the board and management have a shared understanding of the company's risks and tolerance levels
- Review and assess the adequacy of the company's risk management policy and framework with respect to the identification and management of material business risks to the company, and the mechanisms by which risk issues are reported to the board
- Review and discuss reports on significant risks
- Review the company's insurance strategy