

1. Purpose and Mission

The purpose of Sunwater's internal audit function is to provide independent, reliable, and objective assurance and advisory services designed to add value and improve Sunwater's operations.

The mission of internal audit is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight.

The internal audit function helps Sunwater accomplish its objectives by bringing a systematic, disciplined approach to evaluate and continually improve the effectiveness of risk management, internal controls, and governance processes.

2. Charter Statement

2.1. Standards for the Professional Practice of Internal Auditing

The Internal Audit function will aim to align its activities with the Institute of Internal Auditors' (IIA's) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

2.2. Authority

The Internal Audit staff and service providers report to the Chief Audit Executive (CAE), who reports:

- Functionally for operations (in accordance with the ARC Charter) to the ARC; and
- Administratively (i.e., day-to-day operations) to the Chief Executive Officer (CEO).

At Sunwater, the CAE role is performed by the Company Secretary.

All Internal Audit work is undertaken under the authority of the Audit and Risk Committee (ARC).

The ARC authorises internal audit staff and service providers to:

- Have unrestricted access to and communicate and interact directly with the ARC, including in private meetings without management present.
- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scope of works, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Sunwater, as well as other specialised services from within outside Sunwater to complete the engagement.

To establish, maintain, and assure that Sunwater's Internal Audit function has sufficient authority to fulfill its duties, the ARC will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit function's budget and resource plan.
- Receive communications from the internal audit team on the internal audit function's performance relative to its plan and any other matters.
- Make appropriate inquiries of management and Internal Audit function to determine whether there are any inappropriate scope or resource limitations.

The CAE will meet regularly with the CEO. Right of direct access to the CEO by the CAE is preserved for any time the CAE believes it to be warranted.

The Internal Audit position within Sunwater and detailed responsibilities for the audit function are provided in the Internal Audit Procedure.

2.3. Reporting

The Chief Audit Executive (CAE) is responsible for effectively managing all aspects of the Internal Audit function and ensuring the quality performance of internal audit services aligned with the 'Global Internal Audit Standards' issued by the Institute of Internal Auditors.

The CAE will report periodically to the ARC and where appropriate to the CEO and ELT regarding:

- The Internal Audit function's purpose, authority, and responsibility.
- The Internal Audit function's plan and performance relative to its plan.
- Annual assertion on Internal Audit independence and the Internal Audit function's alignment with the IIA Code of Ethics and Standards, and action plans to address any significant issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the ARC.
- Results of audit engagements or other activities.
- Resource(s) impact on the business from the internal audit engagements.
- Any response to risk by management that may be unacceptable to Sunwater.
- Progress in implementing the internal audit plan.
- Any disagreement with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities.
- Any incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
- Other matters as outlined in this Charter.

2.4. Scope of Internal Audit Activities

The scope of work of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the ARC, CEO, ELT, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Sunwater. This includes understanding how the organisation identifies and manages the following key risk areas:

- Risks relating to the achievement of Sunwater's strategic objectives are appropriately identified, measured, reported and managed.
- Financial, managerial, and operating processes provide accurate, reliable, and timely information.
- The actions of Sunwater's officers, directors, employees, and contractors comply with Sunwater's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Sunwater.
- Information and the means used to identify, measure, analyse, classify, and report such information is reliable and have integrity.
- Fraud identification processes are appropriately implemented.
- Business Continuity processes are adequately implemented and tested.
- Significant legislative, regulatory, and reputational issues impacting Sunwater are recognised and addressed appropriately.
- Interaction with the various governance groups occurs as needed.
- Processes ensure resources and assets are acquired economically, used efficiently and are adequately protected.
- Programs, plans, and objectives are achieved.

The Internal Audit function also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit function has an assurance and advisory mandate to improve the overall control environment.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

The scope of the Internal Audit function will be achieved using a flexible internal audit model (e.g., co-sourced or outsourced) depending on the objective and scope of the engagement and the resources required to deliver an optimal and value adding outcome. Internal audit services may include assurance services and advisory services. These may be achieved by the following methods:

- Operational (performance) auditing – reviews of operating or business processes focusing on the efficiency and effectiveness of these processes and the associated management controls.
- Compliance auditing – reviews of compliance or conformity with relevant legislation, regulations, internal instructions, codes, and guidelines.
- Systems auditing – reviews of information technology and telecommunications which examine the IT environment and application controls.
- Financial auditing – reviews of the adequacy of internal accounting controls involving the accuracy, completeness and validity of financial information and financial reports and of the underlying accounting systems and records.

Internal Audit advisory activities which are directed towards facilitation rather than assurance may include:

- Supporting organisational re-engineering.
- Control self-assessment and implementation of control programs.
- Establishing of continuous control monitoring for business functions.
- Quality improvement, including systems development reviews and participation in problem solving task forces, and
- Performance self-assessment.

Management may request internal audit services in response to emerging business issues or risks. Internal Audit will attempt to satisfy these requests subject to the assessed level of risk, availability of resources, and endorsement of the ARC.

2.5. Roles Beyond Internal Auditing

Where an Internal Auditor and CAE may take on roles and/or responsibilities that fall outside of internal auditing such as compliance or risk management activities, internal audit and the CAE will remain independent by putting in some safeguards.

Safeguards are those oversight activities undertaken by the ARC to address potential impairments and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

Current safeguards include quarterly updates to the ARC on additional responsibilities, reporting lines and independence through the quarterly Internal Audit Progress Report.

Other safeguards include:

- Getting independent resources for assessing specific operations for which internal audit was previously responsible for within the previous year or until a 12-month period has lapsed.
- The internal audit activity may provide assurance services where it had previously performed Consulting services, provided 12 months have lapsed since the service was provided and nature

of the service did not impair objectivity and individual objectivity was managed when assigning resources to the engagement.

- If the internal auditor an/or the CAE face potential impairments to independence or objectivity relating to the proposed assurance or consulting services and related implications in determining the scope of internal auditing, performing work, and/or communicating results, disclosure will be made by Internal Audit and/or the CAE to the CEO and ARC prior to accepting the assurance or consulting activity.
- Exhibiting professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- The internal auditor will confirm to the ARC, at least annually, the organisational independence of the Internal Audit function.

2.6. Independence and Objectivity

The Internal Audit function will ensure that it remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Audit function determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties such as ARC. Impairment may include personal conflict of interest, scope or resource limitations, restrictions on access to records, personnel, and properties, etc.

Internal Audit staff will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and will not be unduly influenced by their own interests or by others in forming judgements relating to internal audit activities.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in any other activity that may impair the internal auditor's judgement, including:

- Assessing specific operations for which they had responsibility within previous year.
- Performing any operational duties for Sunwater.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any Sunwater employee not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

2.7. Compliance with Values

The activities of Internal Audit are always conducted in accordance with the values of Sunwater. Work of Internal Audit and the results of each audit shall remain confidential to Sunwater and will not be disclosed to third parties unless at the consent of the CAE and/or ARC.

All internal audit documentation and work papers remain the property of Sunwater, including where internal audit services are provided by service providers under a co-sourced or outsourced model.

2.8. Quality Assurance and Improvement Program

The CAE will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will evaluate internal audit function's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program

will also assess the efficiency and effectiveness of the Internal Audit function and identify opportunities for improvement.

The CAE should communicate to ELT, CEO and the ARC on the Internal Audit function's quality assurance and improvement program, including results of internal (both ongoing and periodic) and external assessments.

2.9. Evaluation of Performance

Internal Audit performance will be internally evaluated at least annually. This will include:

- Results of the quality assurance and improvement program.
- Results of Internal Audit performance measures previously approved by the ARC.
- Feedback from management of areas where internal audit work has been performed.
- Feedback from ARC members.

An external quality assessment will be performed at least once every five years by a qualified, independent assessor or assessment team from outside Sunwater.

2.10. Relationship with Other Assurance Activities

Internal Audit will establish and maintain an open relationship with the external auditor and other assurance providers. Internal Audit will plan its activities to ensure adequacy of overall assurance coverage and to minimise duplication of assurance effort across Sunwater.

External audit has full and free access to all internal audit plans, work papers and reports.

3. Related Legislation and Documents

- *Corporations Act 2001* (Cth)
- Internal Audit Action Close Out Process Guideline
- International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA)
- The Global Internal Audit Standards
- Sunwater Internal Audit Procedure

4. Definitions

Defined Term	Explanation
Assurance	Statement intended to increase the level of stakeholders' confidence about Sunwater's governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.
Assurance services	Services through which internal auditors perform objective assessments to provide assurance aligned with the internal audit plan. These assessments are aligned with the internal audit plan. Special audits may also be commissioned in response to specific incidents or concerns.
Chief Audit Executive (CAE)	The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services. At Sunwater, the CAE role is performed by the Company Secretary.
Competency	Knowledge, skills, and abilities.

Defined Term	Explanation
Conflict of interest	A situation, activity, or relationship that may influence, or appear to influence an internal audit's ability to make objective professional judgments or perform responsibilities objectively.
Engagement	A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also "assurance services" and "advisory services."
Fraud	Any intentional act characterised by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organisations to secure unjust or illegal personal or business advantage.
Governance	The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of Sunwater toward the achievement of its objectives.
Independence	The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.
Integrity	Behaviour characterised by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.
Internal audit function	A professional individual or group responsible for providing Sunwater with assurance and advisory services
Internal audit plan	A document, developed by the chief audit executive, that identifies the engagements and other internal services anticipated to be provided during a given period.
Internal auditing	An independent, objective assurance and advisory service designed to add value and improve Sunwater's operations. It helps Sunwater accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
Objectivity	An unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise.
Quality assurance and improvement program	A program established by the CAE to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

5. Creation, Review and Approval

This Charter will be reviewed biannually or when a significant change occurs, with any changes endorsed and approved by the Audit and Risk Committee.

Author	Company Secretary	SME	Company Secretary	Owner	The Audit and Risk Committee
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