

# Risk and Audit Committee Charter

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## **1. Objectives of the Risk and Audit Committee**

The function of the Risk and Audit Committee (RAC) (Committee) is to assist the Board in fulfilling its corporate governance responsibilities in regard to:

- (a) business risk management, including the Company's accounting, administrative, internal controls, financial risk management and insurance program;
- (b) compliance with legal and regulatory obligations;
- (c) the establishment, maintenance of and ensuring the adequacy of reporting processes and the internal control framework;
- (d) the adequacy and integrity of financial information for inclusion in the Company's financial statements, accounting policies and financial reporting and disclosure practices;
- (e) safeguarding the independence of the external auditor; the oversight and appraisal of the quality and cost of audit (internal and external), accounting and financial reporting obligations;
- (f) assist in the setting of the Company's general strategy with respect to Environmental, Social and Governance (ESG) matters and to consider and recommend policies, practices and disclosures that conform with such strategy; and
- (g) the review of the Company's risk management framework at least annually to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.

## **2. Membership of the Committee**

The Committee is appointed by the Board in accordance with clause 16.10 of the constitution. The Board will strive to adhere to the following composition requirements for the Committee where at all possible. However, the Board acknowledges that the composition of the Board may not allow adherence to the following composition requirements from time to time.

All members of the Committee must be non-executive Directors. A majority of the members of the Committee must be independent non-executive Directors in accordance with the criteria set out in Box 2.3 of the ASX Corporate Governance Principles and Recommendations – "Factors relevant to assessing the independence of a director".

Members shall be appointed by the Board for a limited period and will not automatically be re-appointed. The minimum and maximum number of members of the Committee will be determined by the Board and, until otherwise determined, will be two and six respectively.

The Committee will appoint a secretary who may or may not be a member of the Committee.

Unless there are no, or insufficient, independent directors of the Company, the Committee must consist of a majority of independent directors.

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

At least one member of the Committee must have accounting or related financial management expertise.

No Executive Director of the Company may be a member of the Committee. The Chairperson of the Board must not chair the Committee. Unless there are no independent directors of the Company, the Chairperson of the Committee must be an independent director.

### **3. Authority of the Committee**

The Committee will make determinations about matters for which it is responsible, within the function and objectives of the Committee, save where under this Charter the authority of the Committee is limited to making recommendation to the Board.

The Committee has the authority to require any manager or other employee to attend meetings and/or to provide advice or information.

The Committee has the authority to access the Company's documents and records.

The Committee may take such independent legal, financial or other advice as it considers necessary.

### **4. Responsibilities of the Committee**

#### **4.1 Generally**

- (a) To assess whether the resources devoted to the accounting function are adequate to ensure that reporting arrangements are of high quality and to advise the Board of any identified shortcomings.
- (b) To ensure that periodic assessments of the financial risks faced by the Company in the course of its operating activities are undertaken and to review and agree on the arrangements effected to identify and manage or mitigate those risks.
- (c) To consider and review the adequacy of internal controls, having regard to risks.
- (d) Review the half yearly and annual financial statements .
- (e) To provide a line of communication so that employees wishing to do so may raise issues of concern relating to the management of the Company's physical and financial resources or the accuracy or sufficiency of information being provided to the Board.
- (f) Ensure that, before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### **4.2 Independent External Audit**

- (a) To recommend to the Board the appointment, reappointment or replacement of the external auditor and the payment of annual fees (ensuring that an effective, comprehensive and complete audit can be conducted for the agreed compensation).
- (b) To review and approve the audit plans of the external auditor (it is not the duty of the Committee to itself plan or conduct audits).
- (c) To review the overall scope of the external audit, including identified risk areas and any additional agreed procedure.
- (d) To evaluate the overall effectiveness and independence of the external auditor.
- (e) To resolve any disagreement between management and the external auditor regarding financial reporting.
- (f) To monitor and ensure compliance by the external auditor with the independence requirements imposed by the *Corporations Act 2001* including receiving and reviewing the independence declaration provided to the Directors of the Company by the external auditor pursuant to the Act.
- (g) Ensure that the external auditor attends the Company's Annual General Meeting and is available to answer questions from members relevant to the audit.
- (h) If appropriate, to pre-approve any arrangements for the provisions of non-audit services by the external auditor to ensure that its judgement or independence as external auditor are not impaired.
- (i) On an annual basis, to obtain and review a report from the external auditor describing:
  - (j) the audit firm's internal quality control and conflict procedures;
  - (ii) any material issues raised by the most recent quality control, or peer review, of the audit firm and any steps taken to deal with such issues; and
  - (iii) all relationships between the external auditor and the Company or senior management of the Company (to assess the auditor's independence).
- (i) To ensure if current or former employees of the external auditor are to be employed by the Company that appropriate procedures are put in place to comply with the *Corporations Act 2001* and prevent the impairment, or perceived impairment, of the external auditor's judgment or independence.
- (j) Prior to the annual approval of the Directors' Report, to pass a resolution to provide the Board with the written advice required from the Committee by the *Corporations Act 2001* relating to:
  - (i) whether the provision of non-audit services during the year by or on behalf the external auditor is compatible with the general standard of independence for auditors imposed by the Act; and
  - (ii) the reasons why the Board should be satisfied that the provision of non-audit services during the year by or on behalf of the external auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*.

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#### **4.3 Internal Reporting**

- (a) Monitor the need for a formal internal audit function and its scope.
- (b) Review the completeness and quality of financial and operational information presented to the Board by management, and to suggest ways in which such information might be improved.
- (c) Review the internal controls of the Company and consideration of any comments from the Company's external auditors on improvements or areas that need to be focused on.
- (d) Periodically to seek external advice regarding the completeness and quality of financial and operational information being provided to the Board.

#### **4.4 External Reporting**

- (a) To review any external releases of financial information and the draft half yearly and annual financial statements prior to their release to ensure they represent a true and fair view of the Company's financial position and performance. The Committee should focus on:
  - (i) compliance with accounting standards (including an assessment of the appropriateness of management's selection of accounting policies and disclosures);
  - (ii) significant changes in accounting policies and practices;
  - (iii) major judgemental areas; and
  - (iv) significant audit adjustments.
- (b) To review the declarations signed by the Managing Director and Chief Financial Officer pursuant to the *Corporations Act 2001* and ASX Corporate Governance Principles, recommendations 4.1 and 7.2.
- (c) To monitor the processes in place to ensure compliance with statutory and Australian Securities Exchange requirements, including the continuous disclosure obligations.
- (d) To consider the effects on the Company of any new or proposed accounting practices, principles or developments, disclosures requirements and legislative or regulatory pronouncements.

#### **4.5 Business Risk Management**

- (a) To oversee the establishment and implementation of risk management and internal compliance and control systems and to ensure there is a mechanism for assessing the efficiency and effectiveness of those systems.
- (b) To review and recommend to the Board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - (i) identifying, assessing, monitoring and managing risk; and
  - (ii) disclosing any material change to the risk profile.
- (c) To regularly review and update the risk profile.

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#### **4.6 Insurance**

The Committee must:

- (a) conduct an annual review of a detailed paper (to be prepared by management or external professional) on the Company's insurance program containing all material facts about the program including the types and levels of cover, premiums, principal terms and exclusions;
- (b) review and recommend any material new insurances, proposed cancellations or variations of existing policies;
- (c) be advised of any Company or industry developments (including incidents or claims) which may materially affect the Company's insurance program.

#### **4.7 Legal and Regulatory Compliance**

The Committee will, in conjunction with the Board, endeavour to ensure that the Company complies with:

- (a) all relevant statutory and regulatory obligations; and
- (b) all internal policies and procedures.

### **5. Procedures of the Committee**

#### **5.1 Attendance**

- (a) All Directors who are not members of the Committee are encouraged to attend meetings of the Committee.
- (b) If they are not members of the Committee, the Chairperson of the Board, Chief Executive Officer and the Chief Financial Officer may attend meetings of the Committee in an ex-officio capacity.
- (c) The external auditor must be invited to attend all meetings dealing with half year and annual financial statements (though not necessarily for all agenda items) and any other meeting that a committee member considers the external auditor should attend.
- (d) The Committee may invite other persons it considers appropriate to attend meetings of the Committee.

#### **5.2 Meetings**

- (a) The Secretary of the Committee will propose a schedule of meetings to ensure that all of the responsibilities of the Committee are addressed during the financial year.
- (b) The quorum for a meeting of the Committee may be fixed by the Committee and, unless so fixed, is two members, including at least one Director, present. The quorum must be present at all times during the meeting.
- (c) The Committee must meet on at least two occasions per financial year.
- (d) Additional meetings may be requested by any member of the Committee, the Chairperson of the Board or the relevant partner from the external auditor.

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- (e) Meetings of the Committee may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.
  - (f) The members of the Committee may pass a resolution without a meeting of the Committee if all the members of the Committee for the time being entitled to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document. Separate copies of a document may be used for signing by members of the Committee if the wording of the resolution and statement is identical to each copy. The resolution is passed when the last member of the Committee signs.

### **5.3 Agenda and Minutes**

- (a) The Secretary shall (in conjunction with the Chairperson) be responsible for:
  - (i) drawing up the agenda for each meeting, supported by relevant documentation, and circulating that material to Committee members in sufficient time for due prior consideration; and
  - (ii) preparing proper minutes of the meetings of the Committee.
- (b) The Secretary must provide draft minutes to the Chairperson within 10 business days after a meeting. The minutes must be distributed to all members of the Committee after the chairperson has reviewed them.
- (c) Minutes must be accompanied by an 'action plan' detailing matters that require attention as the result of the Committee's deliberations.
- (d) Minutes of each Committee meeting must be included in the Board papers for the next full Board meeting after each meeting of the Committee.

### **5.4 Reporting to the Board**

- (a) The Chairperson of the Committee must report the Committee's findings to the Board after each meeting of the Committee.
- (b) In conjunction with the approval of the Half-year and Annual Financial Report, the Committee is to report to the Board. The report is to contain all matters relevant to the Committee's role and responsibilities including:
  - (i) assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
  - (ii) assessment of the management processes supporting external reporting;
  - (iii) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
  - (iv) recommendations for the appointment or removal of the auditor;
  - (v) assessment of the performance and independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;

- (vi) if applicable, assessment of the performance and objectivity of the internal audit function;
- (vii) the results of its review of risk management and internal compliance and control systems; and
- (viii) if applicable, a summary of any complaints managed in the period.

### **5.5 Complaint Procedures**

In assisting the Board, the Committee is to ensure that there are adequate procedures for the receipt, retention and resolution of complaints (including 'whistleblowing' complaints) received by the Company, including in relation to risk management, legal or regulatory compliance, accounting, internal accounting controls or auditing.

### **5.6 Review of Committee Performance**

The Committee must review its performance annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter. The Board will conduct an annual review of the operation and performance of the Committee.

### **5.7 Review and Changes to this Charter**

The Board will conduct an annual review of the membership to ensure that the Committee has carried out its functions in an effective manner and will update the Charter as required or as a result of new laws or regulations.

The Board, so as to keep this Charter up to date and consistent with its objectives and responsibilities, of the Committee will review it regularly but no longer than every three (3) years unless there are regulatory changes that necessitate its update or review sooner.

The Charter shall be made available and will be posted to the Company's website.

**Approved by the Board of Blue Energy Limited 9 July 2024**