

Audit Committee charter

1 Standing rules

The standing rules for Committees¹ apply to the Audit Committee subject to this charter.

2 Purpose of Audit Committee

The Audit Committee's role is to:

- (a) advise on the establishment and maintenance of a framework of internal controls for the Group's management; and
- (b) assist the Board with policy on the quality and reliability of financial information prepared for use by the Board.

3 Scope of responsibility

The Audit Committee is responsible for:

- (a) monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- (b) assessing the objectivity and performance of the internal audit function and considering enhancements;
- (c) reviewing reports on any material misappropriation, frauds and thefts from the Group;
- (d) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary about those requirements;
- (e) reviewing material transactions which are not a normal part of the Group's business;
- (f) reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor and the rotation of the audit engagement partner;
- (g) liaising with the external auditors and monitoring the conduct, scope and adequacy of the annual external audit;
- (h) reviewing management processes supporting external reporting, including the appropriateness of the accounting judgments or choices made by management in preparing the financial reports and statements;
- (i) reviewing financial statements and other financial information distributed externally, including considering whether the financial statements reflect the understanding of the Audit Committee and otherwise provide a true and fair view of the financial position and performance of the Group;

¹ See State Gas Ltd Corporate Governance Charter

- (j) preparing and recommending for approval by the Board the corporate governance statement for inclusion in the annual report or any other public document;
- (k) reviewing external audit reports and monitoring, if major deficiencies or breakdowns in controls or procedures have been identified, remedial action taken by management;
- (l) reviewing any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor; and
- (m) reviewing and monitoring compliance with the Code of Conduct.

4 Powers

- 4.1 The Audit Committee has an advisory role, to assist the Board with matters set out in paragraph 3 and does not have any power to commit the Board to any recommendation or decision made by it.
- 4.2 The Audit Committee has unrestricted access to management and to internal audit personnel as well as to the external auditors (with or without management present) to carry out its function.
- 4.3 Subject to Board approval, the Audit Committee is able to engage independent consultants to assist and advise on matters associated with the Audit Committee's responsibilities.

5 Reporting

- 5.1 If the Audit Committee identifies a significant matter of concern, it should report that to the Board immediately following the relevant Audit Committee meeting.

6 Selection of auditors

- 6.1 External auditors are selected according to criteria set by the Audit Committee which include:
 - (a) the lack of any current or past relationship with State Gas or with any Senior Executive that could impair, or risk impairing, the independent external view they are required to take in relation to State Gas and the Group;
 - (b) their general reputation for independence, probity and professional standing within the business community; and
 - (c) their knowledge of the industry in which State Gas and the Group operate.
- 6.2 Employees of the external audit partner (including the partner or other principal with overall responsibility for the engagement), should be rotated periodically (at least every five years) to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to State Gas and the Group.

7 Audit planning

- 7.1 The Audit Committee reviews the performance of the external auditors throughout the year.
- 7.2 During each year, the Audit Committee should meet with the external auditor to:

- (a) discuss the external audit plan;
- (b) discuss any potential significant problems;
- (c) discuss the impact of proposed changes in accounting policies on the financial statements;
- (d) review the nature and impact of any changes in accounting policies adopted by the Group during the year; and
- (e) review the proposed audit fees.

7.3 Before the announcement of State Gas' results the Audit Committee should meet with the external auditor to:

- (a) review the pro-forma half-yearly and pro-forma preliminary final report before lodgement of those documents with ASX, and any significant adjustments required as a result of the audit;
- (b) make the necessary recommendation to the Board for the approval of these documents;
- (c) review the results and findings of the audit, the adequacy of accounting, financial and operating controls, and monitor the implementation of any recommendations made; and
- (d) review the draft financial report and the audit report and make the necessary recommendation to the Board for the approval of the financial report.

8 Proceedings

8.1 Meetings are held at least three times during each year and more often as required.

8.2 The Executive Chairman and the CFO should be invited to attend meetings, or specific parts of meetings, at the discretion of the Audit Committee.