

Charter

Audit and Risk Committee

Approver (owner)	Board
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1 Purpose of this Charter¹

The Board of Directors (the **Board**) of nbn co limited (**nbn**) has formed the Audit and Risk Committee² (the **Committee**) to assist it in complying with its financial management, performance reporting, risk oversight and management³, reporting obligations, internal control⁴ and, compliance with relevant laws and policies.⁵ The Committee is not responsible for the executive management of these functions. The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board.

The Committee has adopted this Charter, following consultation with the Board, to describe the role, responsibilities and powers of the Committee and outline the manner in which these will be exercised and discharged. This Charter provides a framework within which the Committee will operate. In this Charter, a reference to **nbn** includes its subsidiaries from time to time. This Charter should be read in conjunction with the **nbn** Board Charter which outlines matters standard to each Board committee such as access to information and performance review.

2 Role of the Committee⁶

The role of the Committee is to:

- a. assist the Board in satisfying itself that **nbn** and its subsidiaries (the **Group**) are complying with their financial management, performance reporting⁷, risk oversight and management, reporting obligations, internal control and, compliance with relevant laws and policies, including those imposed by the:
 - i. Public Governance, Performance and Accountability Act (Cth) 2013 (**PGPA Act**);
 - ii. Public Governance, Performance and Accountability Rule 2014 (**PGPA Rule**);
 - iii. Corporations Act 2001 (Cth) (**Corporations Act**);
 - iv. Corporations Regulations 2001 (Cth);
 - v. ASIC Class Order [CO 98/1418 - Wholly-owned entities];
 - vi. Commonwealth Government Business Enterprise Governance and Oversight Guidelines, as amended from time to time (**GBE Guidelines**);⁸
 - vii. general policy orders issued by the Commonwealth; and

¹ s17(1) of the PGPA Rule

² s45 of the PGPA Act and s17 of the PGPA Rule.

³ s17(2) of the PGPA Rule

⁴ s17(2) of the PGPA Rule

⁵ s17 of the PGPA Rule, Recommendation 4.1 ASX Corporate Governance Principles and Recommendations 3rd Edition.

⁶ s198D Corporations Act.

⁷ s16F of the PGPA Rule

⁸ GBE Guidelines (January 2018) as amended from time to time.



- viii. specific orders and general policy orders issued by the Finance Minister; and
- b. provide a forum for communication between the Board, senior management of **nbn (Management)**, and the internal and external auditors of **nbn**.

In particular, the Committee will supervise:

- a. the preparation of periodic financial statements of **nbn** to comply with its financial reporting⁹ requirements;
- b. the delivery and effective implementation of an annual strategic internal audit plan setting out the proposed processes, strategies, audit scope, activities, staffing, and organisational structure of the Group's internal audit function (the **Strategic Internal Audit Plan**);
- c. the delivery and effective implementation of an annual plan setting out the proposed external audit scope and approach for the Group, and the coordination of the external audit effort with the internal audit function (the **External Audit Plan**);
- d. the delivery and effective implementation of the Group's risk management system which identifies, assesses, monitors and implements appropriate strategies to manage and mitigate risks throughout the Group (the **Enterprise Risk Management Framework**);
- e. the delivery and effective implementation of the plan setting out procedures and strategies for the effective prevention, detection and management of fraud and other inappropriate practices across the Group, including (without limitation) whistleblower procedures and other internal controls (the **Fraud and Corruption Control Plan**¹⁰);
- f. the delivery and effective implementation of a system for the integration and alignment of assurance processes across the Group, including (without limitation) processes relating to internal control, internal and external audit, compliance, risk management and fraud control (the **Integrated Assurance Framework**);
- g. the delivery of the Enterprise Risk Strategy and, the Fraud Risk and Investigations Strategy;
- h. significant changes in accounting policies;
- i. the maintenance of effective and efficient internal and external audit processes;
- j. determination of whether a sound and effective approach has been followed in establishing **nbn's** business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested;
- k. assessment of whether management has taken steps to embed a culture that promotes the proper use of Commonwealth resources and is committed to ethical and lawful behaviour;
- l. auditor independence and performance, including independence of **nbn's** primary internal audit co-source service provider¹¹; and
- m. **nbn's** compliance with applicable laws and regulations.

⁹s17(2) of the PGPA Rule

¹⁰ **nbn's** Fraud and Corruption Control Policy and Australian Standard 8001 – 2008

¹¹ In accordance with **nbn's** *Co-Sourced Internal Audit Provider Independence and Conflict Protocols* (approved by the Committee on 2 June 2015)



Furthermore, the Committee itself will comply with the GBE Guidelines.

3 Conflicts of Interest

This section should be read in conjunction with the Conflicts of Interest subsection of the Board Code of Conduct detailed in **nbn's** Board Charter and **nbn's** Directors and Officers Conflicts of Interest Policy.

At the beginning of each Committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair of the Committee, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The Chair of the Committee is also responsible for deciding if he/she should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair of the Committee and other members, and actions taken, will be appropriately recorded in the minutes of the Committee meeting at which they are disclosed. Where a disclosure is made outside a Committee meeting, such disclosure will be recorded in the minutes of the next Committee meeting.¹²

Committee members should consider past employment, consultancy arrangements and related party issues in making a declaration. The Committee, in consultation with the Chair of the Committee, should be satisfied there are sufficient processes in place to manage any real or perceived conflict.

4 Responsibilities of the Committee¹³

4.1 Understanding the Business

The Committee will ensure that it is provided with sufficient information from Management about the structure of the Group to confirm:

- a. the reliability and integrity of financial information, the integrity of the Group's internal control structure and compliance with audit, accounting and financial reporting obligations;
- b. that the significant risks faced by the Group have been identified and appropriate mitigation plans have been implemented; and
- c. the adequacy of assurance activities over the Group's significant risks.

4.2 Financial Statements¹⁴

The Committee will:

¹² **nbn's** Directors and Officers Conflicts of Interest Policy

¹³ Commentary to recommendations 4.1 and 4.3 of ASX Corporate Governance Principles and Recommendations.

¹⁴ s17(2) of the PGPA Rule



- a. review the half-year and annual financial statements of the Group, together with the external auditor's opinions, to ensure they represent a true and fair view of **nbn'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 or unusual transactions and accounting estimates;
 - iii. significant changes in accounting policies and practices;
 - iv. major judgmental areas; and
 - v. significant audit adjustments;
- b. review and consider external audit findings reported in the audit management letters and other reports provided by the external auditors and ensure that findings are promptly addressed and recommendations are adopted by Management;
- c. review the declarations signed by the Chief Executive Office and Chief Financial Officer required by the Corporations Act ¹⁵;
- d. review the half-year and annual reports¹⁶ and consider the accuracy and completeness of the information within it to ensure consistency with information known to members of the Committee;
- e. approve all annual financial accounts and dividends for referral to the Board for final approval; and
- f. monitor capital management.

4.3 Internal Control¹⁷

The Committee will:

- a. consider the effectiveness of the Group's internal control system, including information technology security and control and, key relevant controls that mitigate associated risks; and
- b. understand the scope of the internal and external auditor's review of internal controls over financial management and reporting, as well as the design and operating effectiveness of key controls and, obtain reports on significant findings and recommendations, together with Management's responses.

4.4 Internal Audit

The Committee will:

- a. review and approve **nbn's** Strategic Internal Audit Plan annually;
- b. review and endorse **nbn's** Internal Audit Charter for referral to the **nbn** Board for approval;

¹⁵ s295A(2) Corporations Act

¹⁶ ss 39 & 46 of the PGPA Act

¹⁷ s17(2) of the PGPA Rule



- c. in consultation with Management, review and approve the appointment, replacement, or dismissal of the primary internal audit co-source service provider;
- d. review and confirm the independence of the primary internal audit co-source service provider by obtaining an annual objectivity letter confirming that independence was maintained in fulfilling their role within internal audit in accordance with the guidelines outlined in the *Co-Sourced Internal Audit Provider Independence and Conflict Protocols* (approved by the Committee on 2 June 2015) and the provisions of the Rules of Conduct of the Institute of Internal Auditors;
- e. at least once per year, review the internal audit function's assessment of its performance and effectiveness through its Quality Assurance and Improvement Program¹⁸, including compliance with the Institute of Internal Auditors' "*International Professional Practices Framework for Internal Auditing*" consisting of the definitions of Internal Auditing, Code of Ethics and Standards;
- f. at least quarterly, meet separately with the General Manager - Group Internal Audit, Fraud and Risk¹⁹ to discuss any matters that the Committee or General Manager - Group Internal Audit, Fraud and Risk²⁰ believe should be discussed privately;
- g. review all audit reports and provide advice to **nbn** on significant issues identified in audit reports and recommend action on issues raised, including identification and dissemination of good practice;
- h. review the nature and timeliness of Management's remediation of internal audit issues on a regular basis; and
- i. receive an annual report from the General Manager - Group Internal Audit, Fraud and Risk²¹ on the overall perspectives on internal controls in the Group, root causes and any systemic issues requiring management attention at **nbn**.

4.5 External Audit

The Committee will:

- a. review and approve the annual External Audit Plan and External Audit budget;
- b. review the performance of the external auditors;
- c. review and confirm the independence of the external auditors by obtaining statements from the external auditors on relationships between the external auditors (including their contractors) and **nbn** (including the provision of non-audit services) and, discussing these relationships with the external auditors; and
- d. from time to time and at least biannually, meet separately with the external auditors to discuss any matters that the Committee or external auditors believe should be discussed privately.

¹⁸ As defined in the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors effective 1 January 2013.

¹⁹ Or the equivalent **nbn** role in his/her capacity as Chief Audit Executive as defined in the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors effective 1 January 2013.

²⁰ Ibid

²¹ Ibid



4.6 Compliance

The Committee will:

- a. review the effectiveness of the system for monitoring the compliance with laws , regulations and associated government policies which **nbn** must comply with;
- b. review the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- c. determine whether management has appropriately considered legal and compliance risks as part of the entity's Enterprise Risk Management Framework;
- d. review processes for the exercise and management of delegations;
- e. review the findings of any examinations by financial regulatory agencies, and any auditor observations;
- f. review the process for communicating the Code of Conduct to **nbn** personnel, and for monitoring compliance with the code;
- g. obtain regular updates from Management regarding compliance matters; and
- h. consider any other compliance related areas relevant to **nbn**.

4.7 Risk Management²²

In addition to the risk management processes and strategies set out in section 2(d) of this Charter, and without limiting its scope, the Committee will:

- a. review the Group's risk profiles and Management's assessment of risk across the Group;
- b. oversee and approve Management's design of the Enterprise Risk Management Framework, approve Management's implementation strategy for the framework and, oversee Management's progress in implementing the framework;
- c. annually review and evaluate the effectiveness of, and the Group's compliance with the Enterprise Risk Management Framework;
- d. review the Group's actual and potential financial, operational, legal and compliance risk exposures and performance, including (without limitation) by biannually reviewing reports from Management and **nbn's** Chief Risk Officer²³ concerning these risks;
- e. where appropriate, recommend principles, policies and processes for the management of risk for approval by the Board;
- f. liaise with Management and the General Manager - Group Internal Audit, Fraud and Risk²⁴ to confirm that contingency plans have been developed and implemented for applicable High and Extreme rated risks throughout the Group; and

²² s17(2) of the PGPA Rule

²³ As defined in the current Board approved version of **nbn's** Risk Management Policy.



- g. review insurance and consider whether appropriate coverage is in place.

4.8 Fraud Control

The Committee will:

- a. oversee and approve Management's design and implementation of the Fraud and Corruption Control Plan;
- b. review and evaluate annually the effectiveness of, and the Group's compliance with, the Fraud and Corruption Control Plan²⁵;
- c. oversee the assessment of alleged and actual fraud and/or inappropriate practices, investigate these practices where necessary and satisfy itself that Management has appropriately implemented the Fraud and Corruption Control Plan in relation to these practices;
- d. oversee the process of developing and implementing a Fraud and Corruption Control Plan, to provide assurance that **nbn** has appropriate processes and systems in place to prevent, detect and effectively respond to fraud related information;
- e. ensure a Senior Manager, Fraud and Investigations has been appointed by Management as **nbn's** Fraud Control Officer; and
- f. ensure compliance as a GBE with regard to the Commonwealth Fraud Control Guidelines (2011)²⁶ and the Australian Government Investigations Standards (2003).

4.9 Integrated Assurance

The Committee will:

- a. at least annually, liaise with Management and **nbn's** Chief Risk Officer²⁷ to develop and approve the Integrated Assurance Framework;
- b. review and evaluate the operation and effectiveness of **nbn's** Integrated Assurance Framework including (without limitation) by reviewing;
 - i. quarterly reports from the Chief Risk Officer²⁸ regarding the operation of the Integrated Assurance Framework and consider the effectiveness of assurance activities conducted across the Group for all risks; and
 - ii. reports from any assurance providers that the Committee deems appropriate.

²⁴ Or the equivalent **nbn** role in his/her capacity as Chief Audit Executive as defined in the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors effective 1 January 2013.

²⁵ **nbn's** Fraud and Corruption Control Policy.

²⁶ Or equivalent fraud rule as issued by the Commonwealth.

²⁷ As defined in the current Board approved version of **nbn's** Risk Management Policy.

²⁸ Ibid



4.10 Reporting Responsibilities

The Committee will:

- a. regularly report to the Board about the Committee's activities, issues, and related recommendations;
- b. ensure an open avenue of communication between internal audit, external auditor, and the Board;
- c. report annually to the Board, describing the Committee's composition, responsibilities and how they were discharged, and any other necessary information, including approval of non-audit services; and
- d. review any other reports **nbn** issues that relate to Committee responsibilities.

4.11 Statutory Reporting

The Committee will review and if considered appropriate approve any reports prepared by Management which are required by law, regulation or other rules or required by the Board including relevant remuneration and corporate governance sections of the annual report and other shareholder documents.

4.12 Other Responsibilities

The Committee will:

- a. perform other activities related to this Charter as requested by the Board;
- b. institute and oversee special investigations as needed;
- c. confirm annually that all responsibilities outlined in this Charter have been carried out; and
- d. undertake a self-evaluation of the Committee's and individual members' performance against this Charter on an annual basis.

5 Authority of the Committee

5.1 Decisions

All decisions of the Committee shall be referred to the Board for approval, other than:

- a. the Strategic Internal Audit Plan and Internal Audit budget;
- b. the appointment, replacement or dismissal of **nbn's** Internal Audit service provider;
- c. the External Audit Plan and External Audit budget;
- d. Management's design of the Enterprise Risk Management Framework and the implementation strategy for the framework; and
- e. approval of **nbn's**:
 - i. Fraud and Corruption Control Plan
 - ii. Fraud and Corruption Control Policy
 - iii. Legal Professional Privilege Policy



iv. Treasury Policy²⁹

5.2 Reporting to the Board

The Committee will regularly update the Board about its activities and make appropriate recommendations to the Board. The Chair of the Committee will report to the Board, at the Board meeting next following a meeting of that Committee, on any matters under consideration.

5.3 Access to Information

The Committee may obtain information, interview management and, internal and external auditors (with or without management present) and, seek advice from external consultants as it considers necessary or appropriate to enable it to properly discharge its responsibilities.

5.4 Resources

nbn will provide the Committee with the necessary resources for payment of:

- a. any professional or other advisers it engages to assist it in the discharge of its responsibilities; and
- b. the administrative expenses incurred in carrying out its duties.

6 Membership

6.1 Term of Appointment

Subject to Section 6.4 , Committee members are appointed for a term that coincides with the member's term of appointment as a Director or any lesser period that coincides with the termination of the Committee. Existing members may be reappointed.

6.2 Chair of the Committee

The Chair of the Committee:

- a. must be an independent Non-Executive Director appointed by the Board who is not the Chairman of the Board³⁰
- b. has the authority to appoint an independent Non-Executive Director who is a member of the Committee as acting Chair, should the Chair of the Committee anticipate being absent from a meeting.

²⁹ In accordance with the Board resolution to delegate authority to approve the policy at Board Meeting No. 82 held on 17 February 2015 under Agenda item 12.

³⁰ s17 of the PGPA Rule, Recommendation 4.1 ASX Corporate Governance Principles and Recommendations.



Where the Chair of the Committee is absent from a meeting and no acting Chair has been appointed, the members of the Committee present at the meeting have the authority to choose an independent Non-Executive Director who is a member of the Committee to be acting Chair for that particular meeting.

6.3 Composition of the Committee³¹

Subject always to the PGPA Act and PGPA Rule the Committee is appointed by the Board, and is to consist of:

- a. a majority of independent Non-Executive Directors;
- b. at least three members;
- c. non-Board independent members appointed by the Board (where particular areas of expertise are needed);
- d. at least one member who has:
 - i. financial expertise (i.e. is a qualified accountant or other financial professional with financial and accounting experience); and
 - ii. the necessary technical knowledge and understanding of the industry in which **nbn** operates so as to be able to assist the Committee to effectively discharge its risk related mandate³².
- e. shall not include more than one person who is an Executive Director of **nbn**.

6.4 Review of Composition

Subject to the PGPA Act and the PGPA Rule, the composition of the Committee will be reviewed annually by the Board and, the Committee is to ensure an appropriate balance of skills and experience.

6.5 Training and Awareness

Committee members are encouraged to participate in training and awareness raising programs which will assist in keeping a Committee member abreast of contemporary developments and leading practices relating to the functions of the Committee.

7 Meetings

7.1 Frequency of meetings of the Committee

- a. The Committee will schedule a minimum of four meetings each year.
- b. Any member of the Committee, **nbn**'s Company Secretary, General Manager - Group Internal Audit, Fraud and Risk³³ or the external auditors may request the Chair of the Committee convene an additional meeting when required.

³¹ Recommendation 4.2 ASX Corporate Governance Principles and Recommendations.

³² Commentary to Recommendation 7.1 ASX Corporate Governance Principles and Recommendations.



7.2 Attendance at meetings

- a. All Committee members are expected to attend each meeting, in person or via tele-or-video-conference.
- b. All members of the Board, the Chief Executive Officer, the Chief Financial Officer (or equivalent) and the General Manager - Group Internal Audit, Fraud and Risk³⁴ are entitled to attend and participate in any meeting of the Committee.
- c. Any member of the Committee may request the Chair of the Committee arrange the attendance of any person, including members of Management, other **nbn** employees or external advisers, at a meeting of the Committee.

7.3 Planning

The Committee will develop and maintain:

- a. a forward schedule of proposed agenda items for each meeting for the forthcoming year which and that covers all the responsibilities outlined in this Charter; and
- b. an annual schedule of meeting dates, times and locations.

7.4 Quorum

A meeting of the Committee shall be quorate with the attendance of a majority of members of the Committee, which must include the Chair of the Committee. The quorum must be present at all times during the meeting.

7.5 Issuance of agenda and reports

Meeting agendas will be prepared and provided in advance to members along with appropriate reports/briefing materials and draft copies of the previous meeting minutes.

Where practicable, copies of approved minutes of the Committee will be made available to all Directors.

7.6 Decisions

- a. At a Committee meeting:
 - i. all decisions will be by majority vote of members of the Committee in attendance; and
 - ii. persons attending a meeting of the Committee who are not members are not entitled to vote on resolutions.
- b. By Circulating Resolution:

³³ Or the equivalent nbn role

³⁴ Or the equivalent **nbn** role.



- i. Committee members may pass a resolution in support of a decision without a Committee meeting being held if all of the 'available' Committee members entitled to vote on the resolution (being a majority of members of the Committee) sign a document (*Document*) containing a statement that they are in favour of the resolution set out in the Document.
- ii. For the purposes of Section 7.6 (b) (i):
 - all Committee members entitled to vote on the resolution must have been given the Document, which must include notice of the resolution and any necessary explanatory material (in the same form and content as if for an ordinary meeting of the Committee);
 - a Committee member is 'available' if he or she has confirmed receipt of the Document within 48 hours of its issuance;
 - separate copies of the Document may be used for signing by Committee members if the wording of the resolution and statement is identical in each copy;
 - the resolution is passed when the last Committee member entitled to vote on the resolution signs the Document; and
 - any document referred to in, or signature required by, this rule may be in the form of a facsimile or electronic transmission.

7.7 Company Secretary

The Company Secretary or his/her designated representative will:

- a. attend all meetings of the Committee;
- b. ensure appropriate minutes of each meeting are recorded;
- c. maintain a register of the interests disclosed by Directors and Officers³⁵;
- d. seek approval of the agenda for each meeting from the Chair of the Committee; and
- e. circulate the agenda and supporting reports at least five calendar days before the meeting.

8 Review of Charter

The Committee will review this Charter annually prior to 1 December³⁶, and request the approval of the Board to make any changes that may be required.

9 Review of Performance

The Committee will:

³⁵ The register of interests will be available for inspection by Directors and Officers in accordance with **nbn** Directors and Officers Conflicts of Interest Policy.

³⁶ cl 2.23 of the GBE Guidelines.



- a. annually review the performance of the Committee as a whole taking into account the extent to which the Committee has discharged its functions/responsibilities as detailed in this Charter, and, its compliance with any other reporting requirements specified by the Board from time to time; and
- b. inform the Board of the outcomes of the review at the next available Board meeting following completion of the review.

Approved and Adopted

This Charter was approved by the Board on 6 February 2018.

This Charter was adopted by the Committee effective from the date of Board approval on 6 February 2018.

Signed

A handwritten signature in black ink, appearing to read 'K. E. Johnson', written in a cursive style.

Date 6 February 2018

Chair of the Audit and Risk Committee of the Board of Directors of nbn

Approval Table

nbn	Meeting no.	Meeting date	Agenda item no.
Board	115	06 February 2018	17.1
Audit and Risk Committee	47	01 February 2018	12.1
Board	111	29 August 2017	15.1
Audit and Risk Committee	45	03 August 2017	11.1
Board	101	23 August 2016	16.1
Audit and Risk Committee	40	02 August 2016	12.1
Board	89	25 August 2015	14.3
Audit and Risk Committee	35	11 August 2015	10.1
Audit and Risk Committee	26	02 June 2014	08
Board	71	29 April 2014	14.1
Board	69	18 March 2014	14.1
Audit and Risk Committee	25	06 March 2014	12.1
Board	68	18 February 2014	03
Audit and Risk Committee	24	10 February 2014	04
Board	55	21 February 2013	16
Board	49	28 May 2012	10 (a)
Audit Committee	14	17 May 2012	05
Board	46	16 March 2012	10