

## Finance & Risk Committee terms of reference

### 1. Establishment and membership

- 1.1. The Board has established the Finance & Risk Committee under [section 13 of the \*Electricity Corporations Act 2005 \(WA\)\*](#).
- 1.2. The rules and procedures adopted by the Board from time to time (“Board Rules”) apply to the committee, save as expressly varied by these terms of reference.
- 1.3. In addition to the membership criteria set out in the Board Rules:
  - (a) The committee will be comprised of not less than 3 non-executive directors, a majority of whom are independent directors.
  - (b) All members of the committee will be financially literate and at least one member will be a financial ‘expert’ (i.e. a person who is a qualified accountant or other financial professional with experience of financial and accounting matters, including an understanding of financial statements, Australian equivalents to International Financial Reporting Standards (AIFRS) and experience in preparing or auditing financial statements, in internal accounting controls and in the functioning of audit committees) and at least one will have an understanding of the electricity transmission and/or distribution networks business.
  - (c) The committee chair must be independent. The Board chair may not chair the committee.
- 1.4. Membership of the committee as at April 2006 is as follows:
  - (a) Ms J Seabrook (Chair)
  - (b) Mr M Davies
  - (c) Ms S Farrier.

### 2. Purposes

- 2.1. The purposes of the committee are to:
  - (a) assist the Board to fulfil its fiduciary and corporate governance responsibilities in relation to the company’s financial reporting, application of accounting policies, financial management and treasury function, and internal control, risk management and compliance systems;
  - (b) oversee and enhance communications between the Board, senior financial management, Risk Assurance and Audit and the Auditor General, and provide an additional reporting line for Risk Assurance and Audit; and
  - (c) oversee and monitor the accountability process and the quality of internal and external reporting.
- 2.2. The committee will report regularly to the Board on each of its purposes and duties. A copy of the minutes of all committee meetings will be provided to the Board.

### 3. Powers

- 3.1. Subject to the Board’s direction, and under section 71 of the Act, the Board delegates to the Finance & Risk Committee the power to make decisions binding on the corporation that are required for the discharge of the committee’s duties as specified under these terms of reference.
- 3.2. The committee has unrestricted access to records and management of the company, and to internal and external auditors (including without the presence of management), and is

authorised to seek any information it requires from any employee, or from any other source, in order to fulfil its purposes and undertake its duties.

- 3.3. The committee may institute special investigations and consult independent experts (at the company's cost) if it considers it necessary to fulfil its purposes and carry out its duties, and to make recommendations to the Board arising from such investigations.

## 4. Duties

- 4.1. The committee has the following duties:

(a) External audit:

- (i) review with the Auditor General the audit scope (including identified risk areas) and fees, annual audit plan and audit results and consider any implications of the audit findings for the control framework; and
- (ii) consider and review advice received from the Auditor General on alternative accounting treatments and all other written communications between the Auditor General and management (including representation letters).

(b) Internal audit:

- (i) on an annual basis, review Risk Assurance and Audit's charter and resourcing (including qualifications, skills, experience, funding and equipment);
- (ii) ensure that Risk Assurance and Audit has: (a) all necessary access to management; and (b) an open line of communication with the committee;
- (iii) review, evaluate and approve the Risk Assurance and Audit annual audit plan and monitor its progress;
- (iv) monitor management's response to Risk Assurance and Audit's findings and recommendations; and
- (v) ratify decisions made by the CEO regarding the appointment and/or dismissal of the Manager Risk Assurance and Audit.

(c) External reporting:

- (i) review the appropriateness of the company's accounting policies, principles and practices (including their application to the financial statements) and approve changes to them;
- (ii) review management judgments and accounting estimates impacting on the financial statements;
- (iii) review information from the Auditor General and Risk Assurance and Audit which affects the financial reports;
- (iv) ensure that the financial statements comply with all legal, regulatory and statutory requirements (including applicable accounting standards);
- (v) review the form of opinion that the Auditor General proposes to render;
- (vi) recommend to the Board whether the financial and non-financial statements should be signed based on the committee's assessment of them; and
- (vii) review Western Power's quarterly reports to the Minister.

(d) Risk management and compliance:

- (i) review the risk management and internal compliance frameworks, including the processes for determining, managing and reporting on key risks;
- (ii) approve those policies over which the committee has approval authority as specified in the company's ["Policy development – guidelines and template"](#) (DMS: #3389242);

- (iii) ensure that key risk profiles, material changes to the profiles, trends, emerging risks, and the risk management programme are reported at least annually to the Board;
  - (iv) review with management, the Auditor General and Risk Assurance and Audit the effectiveness of the internal control, compliance and risk management systems;
  - (v) review the controls in place for unusual transactions and significant risk exposures; and
  - (vi) approve the company's annual insurance renewal strategy.
- (e) Treasury:
- (i) review and make recommendations to management regarding the company's treasury function, its policies and strategies relating to the management of financial risks, including debt, equity, cash flow and commodity risks; and
  - (ii) review the regular treasury report and other submissions, and make decisions with respect to any issues raised in them.
- (f) Accountability to the Board:
- (i) review the committee's terms of reference annually and recommend any changes to the Board; and
  - (ii) prepare an annual report in accordance with Board Rule 11.9.
- (g) Supplementary duties:
- (i) review any proposed policy relating to capital contributions and make recommendations to the Board; and
  - (ii) review the optimal capital/corporate structure for Western Power and make recommendations to the Board.

## 5. Meetings

- 5.1. At its final meeting for each calendar year, the committee will agree a list of meeting dates for the following calendar year.
- 5.2. The committee chair will convene a special meeting if requested by any committee member, the Board, the Manager Risk Assurance and Audit, or a representative of the Auditor General.
- 5.3. The following persons will attend committee meetings as invitees (but will not have a vote at committee meetings):
- (a) Chief Executive Officer
  - (b) Chief Financial Officer, or a nominated representative
  - (c) Manager Risk Assurance and Audit, or a nominated representative
  - (d) General Counsel & Company Secretary, or a nominated representative.
- 5.4. The committee may invite a representative of the Auditor General to attend any meeting or meetings.
- 5.5. At the discretion of the committee, separate meetings may be held with any employee of the company, with the Auditor General, or with any other person.