

Audit Committee

TERMS OF REFERENCE

TITLE	Audit Committee
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APPROVED	Hydro Tasmania Board
DATE	27 March 2026
VERSION	1.0



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Hydro Tasmania pays respect to the rich, long and ongoing history of the Traditional Owners and Custodians and their connections to land, sea and community.

The mountains, natural lakes and rivers that capture and channel water for hydropower are rich in Aboriginal history, culture and tradition. We acknowledge ongoing connection to culture and custodianship of the lands and waters of places we share. We pay our respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

1. Purpose

The Audit Committee (Committee) is established by the Board of Hydro Tasmania (Board) in accordance with section 16(3) of the *Government Business Enterprises Act 1995* to advise the Board on:

- the effectiveness of Hydro Tasmania’s internal audit function;
- the adequacy of systems of financial reporting and internal control; and
- whether appropriate resources are in place to support the internal audit function.

The Committee provides oversight and advice to the Board to support sound decision-making and effective oversight, and compliance with Hydro Tasmania’s governance framework and statutory obligations.

2. Scope

The Committee will provide oversight for Hydro Tasmania including Entura, Momentum Energy and AETV Pty Ltd.

3. Objectives

The Committee’s objectives are to:

- Provide focused oversight and review of matters delegated by the Board.
- Ensure that management frameworks, policies, and processes within its remit are effective and aligned with Hydro Tasmania’s strategic objectives.
- Monitor performance, compliance, and continuous improvement in the Committee’s area of responsibility.
- Facilitate transparent communication between management and the Board.
- Promote good governance, integrity, and accountability in decision-making.

4. Authority

The Committee is empowered by the Board to:

- Investigate any activity within its scope of responsibility.
- Obtain any information it requires from employees, management, or external parties.
- Engage independent advisers or subject matter experts, at Hydro Tasmania’s expense, as needed.
- Access all relevant records, and personnel to discharge its duties effectively.

The Committee has no delegated decision-making authority unless specifically conferred by the Board.

5. Membership, Operation and Administration

5.1 Membership

- The Committee will comprise no fewer than three (3) non-executive directors of the Board, each with appropriate qualifications, skills, or experience to assist the Committee to perform its functions.
- At least one member of the Committee will possess significant financial reporting/accounting/auditing and/or related financial expertise.
- Members will be appointed by the Board, and terms of appointment are at the discretion of the Board.

5.2 Chair

- The Chair of the Committee will be a non-executive director, other than the Board Chair, appointed by the Board.
- The Chair is responsible for leadership of the Committee, approving agendas, facilitating effective meetings, and ensuring recommendations are clearly presented to the Board.

5.3 Invitees

- Standing invitations are extended to:
 - All non-executive directors
 - The Chief Executive Officer (CEO), to provide management insight and context;
 - The Corporation Secretary (or nominee), to provide governance and meeting support; and
 - The EGM Finance to provide financial and accounting information and oversight of the internal audit and compliance functions.
- The Committee may meet in camera as required.
- Any director who is not a Committee member may attend Committee meetings and have access to all Committee papers but will not have voting rights.
- Management and other employees may be invited to present on issues relevant to the Committee's duties.
- The Committee may invite external parties experts to attend meetings as it deems appropriate.

5.4 Committee Executive Lead and Secretariat

- The Committee Executive Lead will be the Head of Internal Audit and Assurance, or other suitable person appointed by the Committee.
- The Secretariat of the Committee will be the Corporation Secretary or nominee.
- Meeting agendas will be prepared by the Secretariat and Committee Executive Lead, in consultation with the Committee Chair.
- The Secretariat will coordinate meeting logistics, distribute agendas and papers, and record minutes, actions and resolutions, working closely with the Committee Executive Lead.
- The Secretariat is to record minutes and resolutions with minutes to be reviewed and approved by the Committee Chair and provided to the Board at its next meeting for noting.
- Committee members will declare interests at Committee meetings. The Secretariat will maintain a register of declared interests and provide it to the Board in accordance with Hydro Tasmania's governance framework.

5.5 Meetings

- The Committee will meet at least four (4) times per year, or more frequently as required.
- All members, including the Corporation Secretary or nominee, are expected to attend each meeting in person or via teleconference or videoconference.
- A quorum will comprise at least two (2) members.
- In the absence of the Chair, the remaining members will elect one of their members to chair the meeting.
- Meeting agendas and papers will be distributed at least five (5) working days in advance.

5.6 Conflicts of Interest

- Committee members will declare any conflicts of interest at the commencement of each meeting.
- Ongoing conflicts need not be re-declared at each meeting once formally recorded.
- Members or invitees with a real or perceived conflict will not be present for discussions or decisions on the relevant matter.

5.7 Access to advice

- The Committee may obtain independent professional, legal, or technical advice as necessary, at Hydro Tasmania's expense.

- The Committee may meet with external advisers without management present.
- The CEO, internal audit leadership and other senior executives have direct access to the Committee Chair to raise material matters that, due to urgency, sensitivity or risk, cannot reasonably be progressed through normal management or governance channels.
- The Committee may require the attendance of any Hydro Tasmania personnel or representatives from subsidiaries at Committee meetings to support its work.
- The Committee may require executives to undertake tasks to assist the Committee to carry out its functions.
- The Committee has unrestricted access to employees and organisational information as necessary to fulfil its responsibilities.

5.8 Review of Performance and Terms of Reference

- The Committee will review its performance annually and provide results to the Board.
- These Terms of Reference will be reviewed every two (2) years or more frequently if deemed necessary by the Committee, with any amendments submitted to the Board for approval.

6. Responsibilities

The Committee's responsibilities align with its purpose and include, but are not limited to, the following:

6.1 Accounting Policies and Financial Reporting

- Ensure corporate reporting aligns with relevant standards.
- Review accounting policies, judgements, and significant changes.
- Assess management's compliance with financial reporting frameworks.
- Review changes in significant accounting policies.
- Evaluate significant transactions and financial impacts.
- Consider external auditor insights on report quality.
- Review and recommend to the Board management representation letters.
- Make representations for the Board to external auditors.
- Advise the Board on financial report approval.

6.2 Systems of Internal Control and Risk Management

- Assess and oversee control and risk management processes.

- Ensure effective accounting, internal controls, and information security.
- Review internal audit and other assurance findings and management's response.
- Track management actions to address control deficiencies.
- Evaluate post-implementation project reports and insights.
- Monitor compliance with financial risk policies and report to the Board.
- Seek assurance regarding the effectiveness of processes to manage delegations.
- Assess fraud risk exposure and fraud control practices.
- Provide oversight of tax risk, including tax governance arrangements, material tax positions and management's approach to managing tax uncertainty, in line with Australian Taxation Office guidance.

6.3 Monitoring Compliance with Laws, Regulations and Corporate Policies

- Review compliance framework, including compliance planning and breach management.
- Assess compliance with laws, regulations and corporate policies.
- Endorse quarterly compliance reports on breaches and corrective actions.
- Assess internal audit and other assurance reports on compliance.
- Review investigations into major compliance failures.
- Monitor adequacy of Code of Conduct and compliance related complaint-handling procedures.

6.4 External Audit

- Assess and report on the external auditor's performance and independence.
- Review and recommend to the Board the external auditor's appointment, fees and non-audit services.
- Review and monitor the external audit plan, strategies and findings.
- Oversee the external auditor's engagements and pre-approve non-audit assignments.
- Resolve disputes between management and the auditor on financial reporting.

6.5 Internal Audit

- Ensure adequate resourcing and approve the appointment or removal of internal audit leadership and service providers.
- Endorse the internal audit operational model.

- Review annual internal audit's resources and budget.
- Review and approve the strategic internal audit plan and annual work program.
- Monitor progress on the internal audit plan.
- Oversee internal audit operations and service quality.
- Oversee the other engagements and work undertaken by the co-sourced internal auditor.

6.6 Governance Policy

Review Governance Policy no less than every three (3) years or when required by law and endorse for Board approval.

6.7 Environmental, Social, and Governance (ESG)

- Review assurance regarding the accuracy and reliability of ESG disclosures in the Annual report.
- Monitor compliance with ESG reporting and assurance requirements (including Climate Risk Disclosure reporting obligations where relevant).
- Provide oversight of any emissions reduction initiatives (such as the Net Zero program).

7. Reporting

The Committee Chair will provide a verbal summary and/or written report to the Board following each meeting, highlighting key matters for decision or noting.

8. General

- All information received by the Committee is confidential and must be treated in accordance with Hydro Tasmania's confidentiality and information management policies.
- The Secretariat will retain all agendas, papers, and minutes in accordance with established Hydro Tasmania records management policies and relevant legal and regulatory requirements.
- Administrative updates to these Terms of Reference may be made by the Secretariat, with material changes to be approved by the Board.