Transurban

Audit and Risk Committee Charter

1. Related documents

Policies	Board Charter Risk Management Policy Whistleblower Policy Fraud Policy
Other	THL Constitution TIML Constitution

2. Background

The Boards of Transurban Holdings Limited (**THL**), Transurban International Limited (**TIL**) and Transurban Infrastructure Management Limited (**TIML**), as responsible entity of Transurban Holding Trust, (together, **Transurban**) have established an Audit and Risk Committee (**Committee**).

The Boards of THL, TIML and TIL have common directors and meet concurrently. They are collectively referred to as the "Board" for the purpose of this Charter.

The purpose for which the Committee has been established and the Committee's powers, duties and responsibilities are set out in this Charter.

3. Purpose

The purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to:

- the integrity of Transurban's financial reporting;
- the effectiveness of Transurban's systems of financial risk management and internal control;
- the internal and external audit functions;
- Transurban's risk profile and risk policy; and
- the effectiveness of Transurban's risk management framework and supporting risk management systems.

The duties and responsibilities of the Committee to fulfill this purpose are described in section 6.

4. Board size and composition

The Committee will have at least four members. The members will be appointed by the Board.

Each member will be a non-executive director of the Board. A majority of the members will be independent directors.

The Board will appoint the Chair of the Committee from amongst the independent directors. The Chair of the Committee will not also be the Chair of the Board.

Each member will be financially literate (that is, able to read and understand financial statements), have familiarity with financial management and an understanding of the industry in which Transurban operates. At least one member will have relevant qualifications and experience (that is, a qualified accountant or other finance professional with experience of financial and accounting matters).

If a member ceases to be a director of the Board, that member ceases to be a member of the Committee.

5. Administrative matters

5.1 Meetings

The Committee will meet as often as the members deem necessary in order to fulfil their role, although it is intended that the Committee meet no less than once each calendar quarter.

Additional Committee meetings may be convened as the Chair of the Committee considers necessary, taking into account requests from any member, the Chief Executive Officer (**CEO**), the Chief Financial Officer (**CFO**), the internal auditor or the external auditor.

A quorum of the Committee will comprise any two members.

If the Chair of the Committee is unable to attend a Committee meeting, the Chair, or the members present, will appoint another member who is an independent director to act as Chair at that meeting. However, all members are expected to participate in all Committee meetings.

Committee meetings may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution. A circular or written resolution signed by all members will be effective as a resolution duly passed at a Committee meeting and may consist of several documents in like form, each signed by one or more members. The expression "written" includes fax or other electronic means.

5.2 Attendance

Notice of Committee meetings will be provided to non-executive directors of the Board who are not members and such directors may attend Committee meetings.

Notice of Committee meetings will also be provided to the CEO, the CFO, the internal auditor and the external auditor, who must attend meetings if requested. Other members of management and advisers may be invited to attend meetings, as the Chair of the Committee thinks fit.

The internal auditor and/or the external auditor will be required to meet separately with the Committee, without management, upon the request of the Chair of the Committee.

5.3 Secretary

The Company Secretary will be the Secretary of the Committee (**Secretary**).

5.4 Agenda

The Secretary will prepare an agenda for each Committee meeting for review by the Chair of the Committee.

Any member may require business to be included on the agenda provided the Chair of the Committee and the Secretary have been given prior notice. The internal auditor and/or the external auditor may be asked to contribute to the agenda.

The agenda for each Committee meeting will be issued within a reasonable time prior to that meeting to members, the CEO, the CFO, the internal auditor, the external auditor and other attendees.

5.5 Minutes

Minutes of Committee meetings will be prepared by the Secretary, approved by the Chair of the Committee in draft and circulated to all members.

Minutes of any private sessions of the Committee (for example, with the internal auditor or the external auditor and without management) will be prepared, approved by the Chair of the Committee in draft and circulated to all members.

The minutes of a Committee meeting and of any private session will be confirmed at the next Committee meeting and then signed by the Chair of the Committee.

5.6 Reporting

The minutes of each Committee meeting will be provided to all directors.

The Chair of the Committee will, if requested at the next Board meeting after a Committee meeting, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors may, within the Board meeting, request information of members of the Committee.

5.7 Authority and access

Except where expressly stated in this Charter, the Committee discharges its responsibilities by making recommendations to the Board.

The Committee does not have any executive powers to commit the Board or management to the implementation of its recommendations except where expressly stated in this Charter or as authorised by resolution of the Board.

The Committee is not responsible for supervising the performance of management and does not become involved in day-to-day operations, management functions or decision making.

The Committee will have unrestricted access to management and rights to seek explanations and additional information from management. The Committee will also have unrestricted access to both the internal auditor and the external auditor (with or without the presence of management, at the Committee's discretion).

The Committee has authority to conduct or direct investigations into any matters within its Charter. The Committee is entitled to obtain external, independent legal or professional advice as considered necessary or desirable by the Committee to assist it in any investigation or to carry out its duties. As appropriate, the Committee will inform the Chairman of the Board, the CEO, the CFO and the Company Secretary of its decision to authorise such an investigation or obtain such external advice.

6. Duties and responsibilities

The duties and responsibilities of the Committee (and their scope) are as follows:

AUDIT DUTIES AND RESPONSIBILITIES

6.1 Financial reporting

The primary responsibility of the Committee is to oversee the financial reporting process on behalf of the Board and to recommend to the Board appropriate actions in the interests of the integrity of financial reporting.

The Committee also reviews information provided to security holders and the Board for accuracy and reliability.

6.2 Statutory financial reports

- Review the statutory financial reports of the Transurban Group and become satisfied that the reports provide a true and fair view of the financial affairs of the Transurban Group.
- Review the representations provided by management in relation to the statutory financial reports.
- Make recommendations arising from the above reviews for consideration by the Board in connection with adoption of the statutory financial reports.

6.3 Assessment of systems of financial risk management and internal control

- Discuss with management, the internal auditor and the external auditor the Transurban Group's accounting and financial controls, including the policies and procedures to assess, monitor and supervise financial risk, business risk and legal and ethical compliance programs for the purpose of forming a view as to the effectiveness of these controls, policies, procedures and programs.
- Discuss with management, the internal auditor and the external auditor the Transurban Group's accounting policies and methods for the purpose of forming a view as to the appropriateness (as opposed to the acceptability) of these policies and methods.
- Review all reports produced by the internal auditor and the external auditor and management's response to the matters raised therein and become satisfied that accounting records are properly maintained in accordance with statutory requirements.
- Make any recommendations considered necessary in relation to the matters arising from such reports.
- Obtain regular reports from the external auditor on the critical policies and practices of the Transurban Group and on all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- Review all related party transactions involving the Transurban Group.

6.4 Internal audit

- Review and evaluate the internal auditor's objectives, competence and resourcing and the overall effectiveness of the internal audit function, taking into account management's views (including determining whether the internal audit function is to be provided by an internal or external party).
- If the internal audit function is to be provided by an external party, recommend to the Board the appointment (and, where appropriate, replacement) of the internal auditor and the terms of their engagement.
- Review the annual internal audit plan and work program and conduct sufficient enquiry to be satisfied as to its appropriateness.
- Oversee the co-ordination and progress of the work program and monitor management's responses to, and implementation of, the recommendations and findings identified.
- Review the disclosure, in relation to each reporting period, of the structure of the internal audit function and the role it performs.

6.5 External audit

- Recommend to the Board the appointment and remuneration (and, where appropriate, replacement) of the external auditor and the terms of their engagement.
- Agree with the external auditor the overall scope of the external audit, including identified risk areas and any additional procedures considered necessary.
- Review external audit plans, including changes to those plans, and review progress reports prepared by the external auditor and determine whether all matters raised are receiving appropriate attention.
- Resolve any disagreements between the external auditor and management in relation to financial reporting.
- Monitor and periodically evaluate the effectiveness of the external auditor.

6.6 Independence of the external auditor and provision of non-audit services

- Periodically assess the independence of the external auditor by considering the relationships and services provided by the external auditor that may lead to an actual or perceived lack of independence.
- Receive from the external auditor and review a written report stating that the external auditor has complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts. The report will also delineate all relationships between the external auditor and the Transurban Group and describe the external auditor's internal quality control procedures. The report is in addition to any other declaration that the external auditor must provide pursuant to the *Corporations Act 2001*.
- Approve and review the External Auditor Independence Policy (**Attachment 1**) which regulates the provision of services by the external auditor, and monitor compliance with that policy.
- Recommend to the Board the appropriate disclosure in each year's accounts of the full details of fees paid to the external auditor, including an analysis of non-audit services, and provide written advice to the Board as to whether the provision of non-audit services by the external auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*, and has not compromised that independence, together with reasons upon which that advice is based.
- Require that the lead external audit engagement partner be rotated every five years, or more frequently if the Committee considers it desirable to maintain the external auditor's independence.
- Require, in addition to normal recruitment due diligence processes, that the appointment of any present or former employee of the external auditor to a senior position within the Transurban Group be approved in advance by the Chair of the Committee.

RISK DUTIES AND RESPONSIBILITIES

6.7 Risk appetite and profile oversight

- Assist the Board in setting the risk appetite for the business, and satisfy itself that Transurban operates within that risk appetite.
- Form an opinion on the adequacy and effectiveness of the Transurban Group's process of identifying and assessing areas of potential material risk, as well as the monitoring and controlling of identified material risks.
- Review the Transurban Group's risk profile as developed by management and monitor and report to the Board emerging risks and changes in the Transurban Group's risk profile.
- Compare the material risk assessment and the risk profile with Transurban's policies and risk appetite and ensure that identified material risks are reduced to or managed at levels determined to be acceptable by the Board.
- Where the Committee identifies opportunities to create value by taking on further or different risks, make recommendations to the Board on the strategies that could be undertaken to capitalise on the identified opportunities. This may involve changes to Transurban's existing policies or a redefinition of its risk profile.

6.8 Effectiveness of the risk of risk management framework

- Review at least annually, recommend to the Board, and oversee the operation of, Transurban's risk management framework, including risk management policies and procedures, so that there is, amongst other things:
  - a procedure for identifying risks relevant to the Transurban Group's businesses and controlling their financial or non-financial impacts on the Transurban Group;
  - a review of internal control systems and the operational effectiveness of risk management policies and procedures;
  - a culture of proactive risk management and compliance throughout the Transurban Group; and
  - adequate resources to support the risk management function and enable proper remedial action to be taken to address areas of weakness.
- Review the disclosure, in relation to each reporting period, of whether a review of the risk management framework has taken place and, where appropriate, the disclosure of any insights gained from the review and any changes recommended to the risk management framework as a result.
- Review, monitor compliance with, and recommend to the Board for approval any changes to, Transurban Group's Whistleblower Policy and Fraud Policy.
- Request and monitor investigations into areas of risk, breaches of risk management policies and procedures and failures in internal control.
- Evaluate the structure and adequacy of the Transurban Group's own insurances.

7. Review

The Committee will, at least once each year, undertake an evaluation of its performance and effectiveness, and review its membership and this Charter to determine its adequacy for current circumstances, and make recommendations to the Board.

The Committee will consider and review the report of the Committee's membership, authority, responsibilities and discharge of those responsibilities for inclusion in Transurban's annual report and oversee the preparation of any report or other disclosures to be included in the annual report or other communications to security holders relating to the external auditor and to risk and risk management.

Attachment 1— External Auditor Independence Policy

This External Auditor Independence Policy (**Policy**) is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgment or independence.

This Policy is to be interpreted in light of the specific requirements of the *Corporations Act 2001* and should be read in conjunction with the Audit and Risk Committee Charter.

Audit services

The external audit engagement encompasses the external auditor's review of the half-yearly financial statements and the audit of the annual financial statements in accordance with annual external audit plans and the terms of engagement annually approved by the Audit and Risk Committee (**Committee**) pursuant to the Audit and Risk Committee Charter. Any services included in, or necessarily incidental to, the terms of that engagement are to be regarded as Audit Services.

Prohibited services

The external auditor must not provide services that are in conflict with the external auditor's role as statutory auditor or that would otherwise impair or be perceived to impair the external auditor's independence. Generally, these services include services where the external auditor:

- participates in activities that are normally undertaken by management;
- is remunerated through a "success fee" structure;
- acts in an advocacy role for entities within the Transurban Group; or
- may be required to audit or express an opinion on its own work.

Examples of services that may not be performed by the external auditor include:

- management consulting;
- IT systems design or implementation;
- valuation services (except where related solely to tax affairs);
- bookkeeping, accounting and payroll services;
- broker, dealer or investment advisory services;
- litigation or legal advocacy services;
- internal audit services;
- actuarial services;
- acquisition valuations or valuations for purchase price allocations;
- fairness opinions; and
- preparation of sale documentation.

Permissible non-audit services and pre-approval

Permissible Non-Audit Services are services which are not Audit Services or Prohibited Services. Such services may include audit-related services such as letters to banks relating to covenants, comfort letters for debt offerings and the like which require the auditors to make reference to their audit of the financial statements, and other services such as Annual General Meeting scrutineering.

Whilst the external auditor is permitted to provide Permissible Non-Audit Services under applicable laws and regulations, it is intended that the external auditor will only provide a Permissible Non-Audit Service where there is a compelling reason for it to do so. The aim is for the external auditor not to provide any non-audit services.

- If it is known in advance that the external auditor will be required to provide particular Permissible Non-Audit Services, the Committee will annually **pre-approve** a budget of those services.

The external auditor will only be engaged to perform Permissible Non-Audit Services outside of those specified in the abovementioned budget with the **prior approval** of:

- where the proposed fee for the particular service does not exceed an amount of $5,000, the CFO and with subsequent endorsement by the Chair of the Committee; or
- in all other cases, the Chair of the Committee. If the Chair of the Committee deems it necessary, the matter may be referred to the full Committee for consideration.

In considering whether to grant such approval or endorsement, the CFO and the Chair of the Committee will consider whether such services require a detailed knowledge of the Transurban Group's activities in order to be efficient.

Reporting to Committee

The CFO will provide a report (verbal or written) to the Committee at each meeting which describes any non-audit services approved by the CFO (and endorsed by the Chair of the Committee) or approved by Chair of the Committee since the last Committee meeting.

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