

SOUTH EAST WATER LIMITED

Risk, Finance and Audit Committee Charter

1. Purpose

The Risk, Finance and Audit Committee will provide independent assurance to the Board of Directors on the appropriateness of South East Water Limited's accountability and control framework.

2. Responsibilities

The Committee will:

Financial Reporting and Internal Controls

- Review and report to the Board on the Company's financial statements prior to their external release.
- Review all significant accounting policy changes and where appropriate make recommendations to the Board.
- Review, monitor and report to the Board on the framework, adequacy and security of internal control, and accounting and management information systems.
- Identify any special projects or investigations deemed necessary and review any recommendations made and Management responses.
- Review funding programme and capital restructures and make recommendations to the Board as appropriate.

Risk Management (including compliance)

- Ensure an appropriate overall risk management framework is in place with regular reporting to committees and the Board.
- Review the risk assessment annually to ensure key risk areas are identified and managed.
- Evaluate the procedures established by Management to ensure the Company's compliance with laws and regulations.
- Detailed review and analysis of environmental and occupational health and safety risks is a responsibility of the Environment and Safety Committee.

Internal Audit

- Recommend appointment and, if appropriate, termination, of the Internal Auditor.
- Review and recommend approval of the annual and strategic Internal Audit plans, including budgets and resourcing.
- Review significant Internal Audit findings and management responses.
- Monitor development in the internal audit field and standards issued by professional bodies, in order to encourage the usage of best internal audit practice.
- Review and assess the performance of the Internal Auditor against the annual Internal Audit plan.
- Evaluate, in conjunction with the Internal Auditor, the adequacy of the Company's accounting internal control system by reviewing written reports from the internal and external auditors, and monitor Management's responses and actions to correct any noted deficiencies.

- Review post implementation audits of major capital projects.
- Provide an open communication channel between the Internal Auditor and the Board.
- The Committee will review the performance and value of the Internal Auditor's services at least once every three years and must re-tender the internal audit contracts no less than every five years. In making its recommendation to the Board for the appointment of the Internal Auditor, the Committee should call for tenders from suitably qualified firms of auditors. In assessing the tenders, the Committee may interview the firms and/or seek additional information in support of the tender.

External Audit

- Provide a forum for the external auditor to present external audit plans, external audit memoranda and to provide explanation as to their content and meaning.
- Review external audit reports and ensure any identified deficiencies in internal controls are given adequate attention by Management and Internal Audit.
- Review management responses to external audit reports in conjunction with the Internal Auditor, as required.
- Provide an open communication channel between the external auditor and the Board.

3 Committee's Rights of Access

Authority and access to employees

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external and internal auditors as well as anyone in the organisation.

Access to independent professional information

The Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

4 Membership

Membership of and attendance at meetings of the Committee will be:

- Minimum membership will be three (3) independent non-executive directors.
- The Board of Directors will be responsible for appointment of the Committee members and the Secretary of the Committee. Unless the Board resolves otherwise the Secretary will be the Company Secretary.
- The Chairman of the Committee will be appointed by, and be other than, the Chairman of the Board. If not a member of the Committee, the Chairman of the Board will attend ex officio.
- Attendees at Committee meetings will, subject to the discretion of the Committee, ordinarily comprise the Managing Director, Chief Finance Officer, Financial Controller and the Internal Audit Manager.

The composition of the Committee will be reviewed every two (2) years.

All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements.

5 Role of Chairman

The Chairman of the Committee shall approve an agenda in advance of each meeting. The Chairman's role also includes the planning and conduct of meetings, overseeing the reporting to the full Board and leading verbal presentations to the full Board.

Should the Chairman of the Committee be absent from a meeting, the members of the Committee present will appoint a Chairman for that particular meeting.

6 Independence

The Committee has no executive powers in relation to the operations of South East Water. It functions in an oversight and review role.

The primary responsibility for financial and other reporting, internal control and compliance with legislation, regulations and ethics within South East Water Limited rests with the Board and executive management.

The Internal Auditor shall have neither executive nor managerial powers nor authority over any of the activities or operations reviewed so that objectivity is not compromised.

In order to maintain the independence, integrity and objectivity of the Internal Auditor, the Internal Auditor is expected to meet at least the tests set out in F1 of the Code of Professional Conduct. Furthermore, the Internal Auditor should not provide services that are inconsistent with the provision of internal audit services.

The Committee will regularly and at least annually enquire of the external auditor as to its processes and obtain confirmation of its independence. As the external auditor is the Victorian Auditor-General's Office, these enquiries will focus on individual independence - in relation to auditors' personal and financial relationships with South East Water - of those officers engaged in South East Water audits.

7 Meetings

A quorum for any meetings will be two (2) members.

The Committee may invite such other persons to its meetings as it deems necessary including persons to provide expert advice as considered necessary by the Committee. Committee members may not appoint an alternate to attend on their behalf.

Meetings shall be held not less than four (4) times a year. Special meetings may be convened as required. The internal and external auditors may request a meeting, if considered necessary.

Minutes of each meeting shall be circulated to all Board members and the Chairman of the Committee shall report to the next meeting of the Board following each committee meeting.

8 Committee Performance Review

The Committee should undertake an annual review of its own performance and report the results to the Board.

9 Charter Review

The Board must approve the Charter and all amendments to the Charter. The Charter shall be formally reviewed on a periodic basis, but at least every three years, to ensure it remains consistent with the Committee's goals and objectives.