



WHITEHAVEN COAL

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# Whitehaven Coal Limited Audit and Risk Management Committee

## INTRODUCTION

1. This is the Audit and Risk Management Committee charter for Whitehaven Coal Limited (**Whitehaven**). The charter governs the procedures of the Audit and Risk Management Committee (**Committee**).

## AUDIT AND RISK MANAGEMENT COMMITTEE

2. The Committee is a committee of Whitehaven's Board (**Board**). Its role is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of Whitehaven and its controlled entities (**Group**). It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Committee has responsibility for reviewing the risk management framework and policies within Whitehaven and monitoring their implementation.

## COMPOSITION

3. The Committee will consist of at least two non-executive directors, a majority of whom are independent.
4. The Committee may invite any executive management team members or other individuals to attend meetings of the Committee. Any director who is not a member of the Committee may attend (but not vote at) a meeting of the Committee, as determined by the Committee, for discussion of any particular matter relevant to that director or in relation to which that director may have a special contribution to make.
5. **Chairman:** the chairman of the Committee is appointed by the Board.
6. **Secretary:** the company secretary will be the secretary of the Committee.

## REMOVAL OR RESIGNATION

7. If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

## SUB-COMMITTEE

8. The Committee may delegate any specific task to one of its members or to a sub-committee consisting of two or more of its members. The procedural provisions in this charter applying to the Committee apply in relation to any sub-committee of the Committee.

## MEETINGS

### FREQUENCY

9. Meetings are held at least four times during each year and more often as required.

### CALLING MEETING AND NOTICE

10. Any Committee member or the secretary may call a meeting of the Committee. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the Committee at least five days prior to the date of the meeting by the secretary. The notice for members will include relevant supporting papers for the agenda items to be discussed.

### ADVICE

11. The Committee may have access to employees of Whitehaven and from appropriate external advisers. The Committee may meet with these external advisers without management being present.

### REPORT TO THE BOARD

12. The chairman of the Committee, or delegate, will report to the Board.

### MINUTES

13. Minutes of proceedings and resolutions of Committee meetings will be kept by the secretary.

### QUORUM AND VOTING

14. A quorum will comprise any two members. In the absence of the Committee chairman or appointed delegate, the members will elect one of their number as chairman for that meeting.

15. Each member will have one vote and the chairman of the Committee will not have a second or casting vote.

### BUSINESS CONSIDERED

16. Business is considered as the Committee may determine, with additional items of business considered as appropriate, according to the following broad agenda:

- a) November meeting:
  - i) review and debriefing in relation to the preparation of the annual report and the activities of the previous year;
  - ii) review of charter and consider plans for the coming year;
  - iii) presentation by insurance officer and broker of insurance plan for the current year;
  - iv) consideration of matters raised by the external auditors in their management letter and management's response and of the possible need for implementation of new controls in consequence;
  - v) review of reports on certain aspects of any superannuation plan operated by the Group and compliance with relevant laws and regulations;

- vii) review of policies on sensitive issues or practices such as environmental issues;
  - viii) consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified.
- b) February meeting:
- i) review of the operation and effectiveness of internal controls;
  - ii) meet with the external auditors to discuss next year's audit plan and budget;
  - iii) consideration and assessment of the performance of financial management;
  - iv) consideration and approval of the half-yearly profit announcement in conjunction with the chief financial officer and external auditors;
  - v) review of the results and findings of the half-yearly audit/review;
  - vi) consideration of the adequacy of internal financial controls and the possible need for the implementation of new controls in consequence;
  - vii) review of the half-year financial statements;
  - viii) consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified.
- c) May meeting:
- i) review of business risks facing the Group, and of the Group's business continuity plan, and assessment of the adequacy of internal controls;
  - ii) presentation by senior management on the adequacy of systems of internal control;
  - iii) consideration of financial issues relevant to the annual report;
  - iv) consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses identified;
  - v) review of draft budget prepared by management for the following year.
- d) August meeting:
- i) review of related party transactions;
  - ii) review of the Group's main corporate governance practices and consideration of the content of the corporate governance statement for inclusion in the annual report;
  - iii) consideration and approval of the pro-forma preliminary final statement in conjunction;
  - iv) review of the results and findings of the annual audit;
  - v) consideration of the adequacy of internal financial controls and the possible need for the implementation of new controls in consequence;
  - vi) review of the financial statements;
  - vii) consideration of internal audit reports arising from activities for the quarter and ensuring appropriate management action to address any internal control weaknesses.

## DUTIES AND RESPONSIBILITIES

17. The Committee has responsibility for the following:

- a) ensuring an appropriate Board and Board committee structure is in place so as to facilitate a proper review function by the Board;
- b) monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- c) monitoring corporate risk assessment and compliance with internal controls;
- d) overseeing business continuity planning and risk mitigation arrangements;
- e) assessing the objectivity and performance of the internal audit function and considering enhancements;
- f) reviewing reports on any material defalcations, frauds and thefts from the Group;
- g) reviewing reports on the adequacy of insurance coverage;
- h) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the secretary in relation to those requirements;
- i) reviewing significant transactions which are not a normal part of the Group's business;
- j) reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;
- k) liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- l) reviewing management processes supporting external reporting;
- m) reviewing financial statements and other financial information distributed externally;
- n) preparing and recommending for approval by the Board the corporate governance statement for inclusion in the annual report or any other public document;
- o) reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- p) reviewing and monitoring compliance with the Code of Ethics (as set out in the Whitehaven Board Charter and Code of Ethics and Values); and
- q) reviewing and monitoring material taxation matters and the maintenance of the Tax Governance and Risk Management Framework.

## **POWERS**

18. The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it except:
  - a) for matters relating to the appointment, oversight, remuneration and replacement of the external auditors; and
  - b) where and to the extent that (in other respects) it has express delegated authority from the Board.
19. The Committee has unrestricted access to management and to internal audit personnel as well as to the external auditors as it may consider appropriate for the proper performance of its function.

## **REPORTING**

20. The Committee will prepare draft reports for Board consideration as required by law or listing rules or as requested by the Board on the matters within its responsibility, including regular reports to scheduled Board meetings, relevant sections of the annual report and other shareholder documents.
21. The Committee chairman or the chairman's nominee shall attend Board meetings and the annual general meeting prepared to respond to any director's or shareholder's questions (as applicable) on the Committee's activities.

## **WHITEHAVEN INTERNAL CONTROL FRAMEWORK**

### **SECRETARY**

22. The Secretary is accountable to the Board, through the chairman of the Board, on all corporate governance matters and is responsible for monitoring that the Board charter or the charter of any Board committee is duly followed and for coordinating the completion and dispatch of Board and Board committee agenda and briefing materials as well as draft minutes of meetings of the Board and all Board committees for approval at the next meeting.

### **RISK MANAGEMENT**

23. The Committee fulfils the responsibility for the identification of significant business risks and reviews the major risks affecting each business segment and develops strategies to mitigate these risks. It reports specifically to the Board following each meeting.
24. The Committee must approve any action plan instigated. Corrective action is taken as soon as practicable. Major business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.
25. The Group Operating Policies & Procedures, which are provided to all staff and with which they are required to comply, contains risk management procedures that aim to address risk management issues including the risk that professional indemnity claims may be made against the firm.

26. The chief executive officer and chief financial officer must each provide a statement to the Board with any financial report to the effect that Whitehaven's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## **FINANCIAL REPORTING**

27. The external auditors are selected according to criteria set by the Committee which include most significantly:

- a) the lack of any current or past connection or association with Whitehaven or with any member of senior management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to Whitehaven and the Group;
- b) their general reputation for independence and probity and professional standing within the business community; and
- c) their knowledge of the industry within which Whitehaven and the Group operate.

28. Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to Whitehaven and the Group.

29. An annual budget prepared by management and reviewed and commented on by the Committee is approved by the Board. Actual results, including both profit and loss statement and cashflow statement, are reported on a monthly basis against budget, and revised forecasts for the year are prepared regularly. The Group provides half-yearly financial reports.

30. Price sensitive information, and generally all information reasonably required by an investor to make an informed assessment of Whitehaven and the Group's activities and results, must be reported to the ASX in accordance with continuous disclosure requirements which are considered as a standing agenda item at each regular meeting of the Committee as well as of the Board.

31. Each of the chief executive officer and chief financial officer must state in writing to the Board, when providing it with financial reports, that Whitehaven's financial reports:

- a) present a true and fair view, in all material respects, of Whitehaven's financial conditions and operational results;
- b) are in accordance with relevant accounting standards; and
- c) are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

32. Without limiting relevant matters of which the Board should be informed, the chief executive officer is also primarily responsible for:

- a) making decisions concerning whether a matter is required to be disclosed in accordance with Whitehaven's continuous disclosure obligations;
- b) ensuring that Whitehaven complies with those obligations;
- c) notifying the Board of such matters;
- d) monitoring and promoting an understanding within Whitehaven of compliance; and

- e) acting as the contact for media and comment, including analyst briefings and responses to shareholder questions.

### **QUALITY AND INTEGRITY OF PERSONNEL**

33. The Group's policies are detailed in the Group Operating Policies & Procedures. Written confirmation of compliance with policies is obtained from all staff members. Formal appraisals are conducted at least annually for all employees.

### **INVESTMENT APPRAISAL**

34. The Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal, review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

### **OPERATING UNIT CONTROLS**

35. Financial controls and procedures, including information systems controls are detailed in the Group Operating Policies & Procedures.

### **FUNCTIONAL SPECIALITY REPORTING**

36. The Board has identified a number of key areas which are subject to regular reporting to the Board as detailed in Board committee charters or (as regards, by way of example only, expenditure on entertainment and travel by directors and senior management) the Group Operating Policies & Procedures.

### **AUDIT PLANNING**

37. The Committee reviews the performance of the external auditors on an annual basis against the following cycle of activity and meetings with the external auditors:

- a) During the year:
  - i) discuss the external audit plan;
  - ii) discuss any significant problems that may be foreseen;
  - iii) discuss the impact of any proposed changes in accounting policies on the financial statements;
  - iv) review the nature and impact of any changes in accounting policies adopted by the Group during the year;
  - v) review the fees proposed for the audit work to be performed.
- b) Prior to announcement of results:

- i) review the pro-forma half-yearly and pro-forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit;
- ii) make the necessary recommendation to the Board for the approval of these documents.
- c) Half-year and year-end reporting:
  - i) review the results and findings of the audit, the adequacy of accounting, financial and operating controls, and to monitor the implementation of any recommendations made;
  - ii) review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.
- d) As required:
  - i) organise, review and report on any special reviews or investigations deemed necessary by the Board.