



STANWELL CORPORATION LIMITED

INTERNAL AUDIT CHARTER

1.0 The Charter of Internal Audit

- 1.1 This Charter formalises and communicates the purpose, role, authority, responsibilities, scope and operational framework of the Internal Audit function (Internal Audit) within Stanwell Corporation Limited (Stanwell) and its subsidiaries.

2.0 Role of Internal Audit

- 2.1 Stanwell has an established Internal Audit function to provide independent, objective assurance and internal consulting services designed to improve Stanwell's operations and add value to the business. The Internal Audit function supports Stanwell management in accomplishing its objectives by bringing a systematic, disciplined approach to reviewing, evaluating and continuously improving the effectiveness of its risk management, control and governance processes over activities, operations, information and records.

3.0 Purpose

- 3.1 The Internal Audit function is established by the Stanwell Board and its responsibilities are defined by the Board's Audit and Risk Management Committee (ARMC) as part of their oversight function. The overall objective of Stanwell's Internal Audit function is to assist the Stanwell Board and all levels of management to discharge their responsibilities in maintaining Stanwell as a well controlled, economic, efficient and effective corporation that complies with statutory obligations.

4.0 Objectives and Scope

- 4.1 The Internal Audit function's objective is to provide Stanwell's stakeholders with assurance and value-added services by:
- 4.1.1 Assessing the risks associated with Stanwell's strategic objectives, growth plans and related risks and developing and executing an Internal Audit plan which addresses identified key risks and associated internal controls;
 - 4.1.2 Examining and monitoring Stanwell's compliance with statutory, legislative and/or regulatory obligations;
 - 4.1.3 Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - 4.1.4 Examining the systems established to ensure compliance with policies, plans, procedures, contracts, laws and regulations that could have a significant impact upon operations and reports, and determining whether the organisation is in compliance;
 - 4.1.5 Assessing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
 - 4.1.6 Reviewing established systems of internal control (including Information Technology) to ascertain whether they are functioning as designed and operating effectively;
 - 4.1.7 Reviewing outsourced control systems (including Information Technology) to ascertain whether they are functioning as agreed;
 - 4.1.8 Examining the economy and efficiency with which resources are employed;

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Approved via Committee Memorandum Number: ARMC-19-05-3.1

- 4.1.9 Reviewing specific programs or initiatives to ascertain whether results are consistent with established objectives and goals and whether the programs or initiatives are being carried out as planned;
 - 4.1.10 Promoting an overall risk and control awareness and a specific fraud risk and control awareness within the corporation;
 - 4.1.11 Assisting with the investigation of significant, suspected fraud within the corporation;
 - 4.1.12 Establishing a quality assurance and improvement program for the Internal Audit activity; and
 - 4.1.13 Assisting with special engagements as directed by the Stanwell Board and Executive General Managers.
- 4.2 Internal Audit will promote its image as an internal service function carrying out its responsibilities through constructive co-operation with Stanwell personnel at all levels.

5.0 Reporting Responsibilities

- 5.1 To provide for the independence of the Internal Audit function, its personnel report to the Group Manager Internal Audit who reports functionally to the ARMC and administratively to the Chief Financial Officer. The Group Manager Internal Audit is accountable to the Chief Financial Officer for the efficient and effective operation of the Internal Audit function.

6.0 Independence

- 6.1 All Internal Audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. In respect to reports, Internal Audit shall not be subject to management direction and shall maintain independence in its reporting.
- 6.2 Internal Audit shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited.
- 6.3 Internal Audit personnel have no managerial powers, authorities or duties other than those relating to the management of the Internal Audit function and do not relieve other personnel from their assigned responsibilities.

7.0 Authority

- 7.1 Authority is granted for full, free and unrestricted access to any and all of Stanwell's records, physical properties, and personnel relevant to any function under review. All employees are requested to assist Internal Audit in fulfilling their function. Documents and information given to Internal Audit during an engagement will be handled in the same prudent and confidential manner as by those employees normally accountable for them.
- 7.2 Internal Audit shall also have free and unrestricted access to the Chair of the ARMC and its members.

8.0 Professional Standards

- 8.1 Internal Audit personnel shall govern themselves by adherence to the Institute of Internal Auditors 'Code of Ethics'. The Institute's 'International Standards for the Professional Practice of Internal Auditing' (Standards) shall constitute the operating procedures for the function. The Internal Audit function will meet or exceed these Standards.

9.0 Audit Planning

- 9.1 Each year, a Strategic Plan and Annual Internal Audit Plan are prepared for the approval by the ARMC. The Strategic Plan has a risk based rolling five year scope and forms the basis of the detailed Annual Internal Audit Plan. The Internal Audit function will develop the Annual Internal Audit Plan under consideration of the corporation's risk profile and appetite, control criticality, previous year's engagements and results and Board requests. The Annual Internal Audit Plan is to be provided to the ARMC for approval.

10.0 Audit Reporting

- 10.1 A written report will be prepared and issued by the Internal Audit function following the conclusion of each engagement. Findings will be discussed with the personnel in charge of the area and subsequently with the relevant Executive General Manager. Formal internal audit reports will be forwarded to the Chief Financial Officer and the Chief Executive Officer after the completion of the engagement. A summary of the reports will be provided to the next ARMC meeting.
- 10.2 Internal Audit's reporting will be compliant with the requirements set out by the Institute of Internal Audit's Standards.
- 10.3 The engagement report will be prepared on a timely basis and include:
- Audit objective;
 - Engagement scope;
 - Internal Audit findings and associated risks, root causes, recommended actions and a formal risk rating; and
 - Management comments from the Executive General Manager responsible for implementing the corrective action and the implementation dates.

11.0 Monitoring of Audit Actions

- 11.1 Internal Audit shall be responsible for the appropriate follow-up of audit findings and recommendations and associated reporting to the ARMC.

12.0 External Audit

- 12.1 A professional relationship will be maintained with Stanwell's External Auditors. Close and regular liaison will occur with the aim to use audit resources in a cost effective way ensuring the audits provide the best value for the Corporation.

13.0 Periodic Assessment

- 13.1 The ARMC will biennially assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the Internal Auditing activity to accomplish its objectives.