Audit & Risk Committee Charter

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EirGrid GROUP

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1. Introduction

The Audit & Risk Committee assists the Board in discharging its responsibilities in relation to financial reporting, internal audit, external audit, internal controls and risk management oversight. The Committee is also responsible for reviewing and monitoring the independence and objectivity of the external Auditor and oversees the implementation of the non-audit services policy.

2. Definitions

"The Board" is the Board of Directors of EirGrid plc

"The Committee" is the Audit & Risk Committee

"EirGrid Group" means EirGrid plc and all subsidiary companies owned directly or indirectly by EirGrid plc except for SONI Ltd

The **"Company"** is EirGrid plc

The **"Company Secretary"** is the Company Secretary of EirGrid plc

"Large Subsidiary Companies" means Irish subsidiary companies coming within the scope of section 167 of the Companies Act, 2014 (as amended)

The **"Code"** means the Code of Practice for the Governance of State Bodies

3. Scope

The Committee's remit includes the Company and all companies in the EirGrid Group (as defined above). The responsibilities of the Committee in relation to the Company and Large Subsidiary Companies shall include:

a) The monitoring of the financial reporting process.
b) The monitoring of the effectiveness of those companies' systems of internal control, internal audit, compliance and risk management.
c) The monitoring of the statutory audit of those companies' statutory financial statements.
d) The review and monitoring of the independence of the statutory auditors and the provision of additional services to those companies.
e) The review of the governance arrangements in place for compliance with key financial and regulatory obligations and relevant aspect of the Code; and
f) Oversight and governance of their tax affairs.

4. Membership and Attendance

(a) Members of the Committee, and the Committee Chair, shall be appointed by the Board on the recommendation of the Chair of the Board.
(b) All members of the Committee shall be independent non-executive members of the Board.
(c) The Committee shall consist of a minimum of three independent non-executive members of the Board, and the Chair of the Board shall not be a member of the Committee.
(d) The composition of the Committee membership shall meet the requirements set out in section 167 of the Companies Act, 2014 (as amended) and at least one member must have recent and relevant

financial experience, ideally with a professional qualification from one of the professional accountancy bodies.

(e) Only members of the Committee have the right to attend committee meetings. However, the Chief Executive, Chief Financial Officer, the external auditor and the internal auditor will be invited to attend meetings of the Committee on a regular basis. Other individuals including the Board Chair, other board members or other members of management or representatives of the risk, governance, compliance and legal functions may be invited to attend all or part of any meeting as and when appropriate and necessary.

(f) At least once per annum the Committee should meet (i) the external auditors and (ii) the internal auditors, in each case without executive Board members present. These need not be at the same meeting.

5. Secretary

(a) The Company Secretary, or his or her nominee, shall be the Secretary to the Committee.

(b) The process for recording Declarations of Interest shall be the same as the Board.

(c) Committee members shall have access to sufficient resources to carry out their duties including access to the Company Secretariat for advice and assistance as required.

(d) The Company Secretary shall ensure that Committee members are provided with appropriate and timely training.

6. Quorum

The quorum necessary for the transaction of business by the Committee shall be two members.

7. Frequency of Meetings

The Committee shall meet at least four times per year and at such other times as the Committee Chair may decide.

8. Notice of Meetings

(a) Meetings of the Committee shall be called by the Company Secretary at the request of the Committee Chair or any of its members.

(b) Unless otherwise agreed, notice of each meeting confirming time, date and venue along with the agenda for the meeting shall be sent to all committee members no later than five working days prior to the meeting. Supporting papers shall be sent to Committee members, as appropriate, at the same time.

(c) Meetings may be held by telephone or using any other electronic means of communication whereby the participants are able to communicate effectively with each other and may take decisions by unanimous written resolution, when deemed necessary or desirable by the Committee Chair.

9. Minutes of Committee Meetings

(a) The Company Secretary, or their alternate, shall minute the proceedings and resolutions of Committee meetings, including the names of those present and in attendance.

10. Authority

The Committee is authorised by the Board to:

a) seek any information it requires from any employee of the EirGrid Group in order to perform its duties.
b) Oversee any investigation of any activity within these Terms of Reference.
c) In connection with its duties to obtain, at the company's expense, any outside legal or other professional advice; and to commission any reports or surveys which it deems necessary to fulfil its obligations.
d) The Committee is exclusively responsible for setting the terms of reference for any legal and/or professional advisers selected by it to advise the Committee.

11. Duties

The Committee shall carry out the duties below:

11.1 Financial and Annual Reporting

a) The Committee shall monitor the integrity of the annual and half-yearly financial statements of the Company and the EirGrid Group, reviewing and reporting to the Board on all significant financial reporting issues, estimates and judgements which they contain having regard to matters communicated to it by management and the external auditor.
b) In particular, the Committee shall review and challenge where necessary:
    a. The accounting policies adopted by the Company and Group, ensuring they are relevant, reliable and consistently applied to similar transactions and from one accounting period to the next.
    b. The accounting policies adopted in respect of complex or unusual transactions.
    c. The critical accounting judgements and estimates used in the preparation of the financial statements.
    d. The disclosure of material accounting policies in the financial statements of the Company and the Group ensuring the information disclosed is sufficient for users of the accounts to understand the financial statements and how key transactions have been accounted for.
    e. All material information presented with the financial statements of the Company and Group for consistency, including the business review and the corporate governance statements relating to the audit and risk management.
c) Report to the Board on whether it is appropriate to adopt the going concern basis of accounting in preparing the half-year and annual Group and Company financial statements, identifying material uncertainties to the Group's ability to do so over a period of at least twelve months from the date of approval of the financial statements.
d) Review the representation letter to be provided to the external auditor and the attestations provided therein and recommend it to the Board.
e) The Committee will review the contents of the Company's Annual Report and advise the Board on whether, taken as a whole, it is (i) is fair, balanced and understandable; (ii) provides the information necessary for the shareholders to assess the EirGrid Group's performance, business model and strategy; and (iii) satisfies the requirements in relation to the preparation of an annual report (and financial statements) applying under the Companies Act, 2014 (as amended) and the Code.
f) The Committee shall monitor the financial reporting and audit process, including any material adjustments proposed by the external auditors.

g) The Committee shall confirm that Board members' responsibilities in respect of the Regulatory Accounts for the separate businesses and licenced activities of the Company have been fulfilled and that the accounts can be recommended to the Board for approval.

h) The Committee shall review changes in annual financial reporting requirements and ensure appropriate plans are in place for the Group to comply with those requirements.

11.2 Internal Controls

The Committee shall:

a) Review the adequacy and effectives of the EirGrid Group's system of internal control including, where applicable, those related to information systems, cyber security, data protection, procurement, legal and regulatory compliance.

b) Review reports of any material breaches in internal control, and proposed changes to the system of internal control to address the weaknesses identified.

c) Based on assurance provided conclude and recommend to the Board that the framework for internal controls has operated effectively during the period and that the system of internal controls gives appropriate early warning of significant internal control failings.

d) Review and approve the statements on internal controls and risk management in the Company's Annual Report.

e) Review the adequacy of the governance arrangements in place in relation to joint venture companies and contractual joint ventures.

f) Review annually the policy, performance and reporting of payment practices.

g) Approve the Corporate Governance Framework.

11.3 Risk Management

The Committee shall:

a) Review and recommend to the Board for approval The EirGrid Enterprise Risk Management Framework.

b) Review EirGrid's Risk Appetite Statement and advise the Board in its consideration of the overall risk appetite, risk tolerance and risk strategy of EirGrid.

c) Review reports on any material breaches of risk limits, risk incidents and the adequacy of proposed corrective measures.

d) Support the Board in carrying out its responsibilities for ensuring that there is a robust process in place to identify, assess, mitigate, and report on enterprise risk, including cyber risk.

e) Approve the Annual Risk Plan.

f) Keep under review the principal, emerging and high impact/low probability (HILP) risks of EirGrid Group and approve the statements of principal risks to be included in the Annual Report.

g) Review and monitor the effectiveness of the arrangements for crisis management and business continuity planning for EirGrid Group.

h) Advise the Board on the need for periodic external review of the effectiveness of enterprise risk management.

i) Review insurable risks for EirGrid Group and seek assurance regarding the appropriateness of cover and cost effectiveness of insurance programmes.

11.4 Compliance

The Committee shall:

a) Review the processes adopted by EirGrid to achieve compliance with the Code and its related Annexes and Guidelines, and any other corporate governance code adopted by the Board on a voluntary basis.

b) Provide assurance to the Board on the basis on which the Chair may sign-off on compliance with the Code.

c) Review compliance frameworks and the effectiveness and adequacy of the controls and procedures adopted across EirGrid Group to identify and give reasonable assurance concerning compliance with all statutory and regulatory obligations applicable to EirGrid Group.

d) Review and approve EirGrid's Tax Strategy and monitor tax policies and procedures adopted by EirGrid Group.

11.5 Protected Disclosures, Fraud and Investigations

The Committee shall:

a) Review and approve the terms of EirGrid's Protected Disclosure Policy (and any changes thereto) and review the adequacy and security of the arrangements for employees and contractors to raise concerns, in confidence, under this policy.

b) Be informed of any Protected Disclosures made whilst ensuring confidentiality is maintained.

c) Review and approve reports covering the matters required by the Protected Disclosures Act 2014 (as amended) prior to issuance or publication, including in the Annual report.

d) Review and approve EirGrid's Anti-Bribery, Corruption and Fraud Policy; and review and monitor the systems and controls in place for preventing and detecting fraud and the prevention of bribery and corruption.

e) Receive an annual report on the implementation of the EirGrid Gifts and Hospitality Policy.

f) Be informed of regulatory or agency investigations and anticipated investigations.

11.6 Internal Audit

The Committee shall:

a) Monitor and assess the role and effectiveness of the internal audit function including their independence, objectivity, expertise, experience, and adherence to professional standards.

b) Support the internal audit function to fulfil its mandate, charter commitments, and audit plan.

c) Review and approve the internal audit function Charter annually and ensure that the function is adequately resourced and has appropriate standing.

d) Review and approve the annual Internal Audit plan.

e) Receive reports on the results of the internal auditor's workplan on a periodic basis and review and monitor management's responsiveness to the internal auditor's findings and recommendations.

f) Advise the Board on the periodic external review of the effectiveness of the internal audit function.

g) Ensure that the Head of Internal Audit functionally reports to the Committee and has direct access to the Committee Chair and the Chair of the Board.

h) Be consulted in advance on the appointment, or termination of appointment, of the Head of Internal Audit.

i) Approve the appointment, or termination of appointment, of any co-sourced internal audit service provider.

j) Meet with the Head of Internal Audit at least once per annum without the presence of management.

11.7 External Audit

The Committee shall:

a) Consider and make recommendations to the Board in relation to the appointment, re-appointment or removal of the external financial auditor.

b) Ensure that the external audit services contract is tendered for periodically to ensure compliance with applicable legislative requirements.

c) Oversee the relationship with the external auditor, including making recommendations to the Board as to their fees, approving their terms of engagement, scope of the external audit, and engagement letter, assessing annually their independence and objectivity, monitoring the external auditor's compliance with rotation of audit partner obligations; assessing annually the expertise and resources of the auditor and effectiveness of the external audit process and seeking to ensure the co-ordination with the activities of the internal audit function.

d) Meet regularly with the external auditor including at audit planning stage to review and approve the external audit plan; during the audit to assess progress; and post completion of the audit.

e) Review the findings of the audit with the external auditor. Such discussions to include any major issues that arose during the audit, key accounting and audit judgements, level of errors identified during the audit, and the effectiveness of the audit process.

f) Review the external auditor's Internal Controls Recommendations Report(s) and management's responses to the findings and recommendations therein.

g) Receive and review any reports of the external auditor on key matters arising from the external audit, and on any material weaknesses in internal control in relation to the financial reporting process.

h) Develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity or independence.

12. Reporting and Other Matters

(a) The Committee Chair shall report formally to the Board on its proceeding after each meeting.

(b) The Committee Chair will report annually to the Board on how the Committee has discharged its duties and responsibilities.

(c) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.

(d) The Committee shall compile a report on its activities to be included in the Company's Annual Report.

(e) The Committee shall at least annually review its own performance and its Terms of Reference and recommend any necessary changes to the Board.

(f) The Committee shall work and liaise as necessary with all other Board Committees, and in this regard the Committee Chair will meet, as required, with the Chairs of other Board Committees.