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## RABOBANK AUSTRALIA LIMITED

ABN 50 001 621 129

### BOARD AUDIT COMMITTEE CHARTER

Effective: 28 May 2019

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#### 1 Purpose of Charter

This Charter sets out the authority, responsibilities, membership and operation of the Board Audit Committee (**Committee**) of Rabobank Australia Limited (**Company**).

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#### 2 Authority

- 2.1 The Committee is appointed and authorised by the Board of Directors of the Company (**Board**) to assist the Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities and to provide objective, non-executive review and oversight of the implementation and effectiveness of the Company's financial reporting, regulatory reporting, tax risk management and audit frameworks and functions.
- 2.2 The authority of the Committee is sourced from:
- (a) the Company's Constitution;
  - (b) this Charter; and
  - (c) Board delegations, resolutions and approvals granted to it from time to time.
- 2.3 The Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and may retain, at the Company's expense, such legal, accounting, financial, corporate governance or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.
- 2.4 The Committee may form and delegate authority to sub-committees comprised of one or more members. Any such sub-committee will have the full power and authority of the Committee, subject to the terms of its delegated authority, and must report to the Committee in relation to material developments arising in the exercise of that authority.

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#### 3 Duties and Responsibilities

- 3.1 The Committee is responsible for providing a non-executive review of:
- (a) the Company's accounting and financial statements;
  - (b) the Company's external audit processes, including the appointment, evaluation, management and removal of the Company's external auditor;
  - (c) the Company's Internal Audit processes, including appointment and removal of the Chief Audit Officer by the Board (with the prior approval of the shareholder and the Chair of the Management Team Wholesale, Rural and Retail (**MT WRR**)) and following consultation with the CEO Audit Rabobank (or equivalent));
  - (d) compliance with applicable accounting standards and policies and statutory and regulatory accounting requirements to give a true and fair view of the financial position and performance of the Company;

- (e) compliance with prudential regulatory reporting requirements (taking into account the Board's allocation of responsibility for review of risk to the Board Risk and Compliance Committee); and
- (f) tax risk and tax governance arrangements.

3.2 In performing the oversight responsibilities referred to in clause 3.1, the Committee may make recommendations to the Board, as it sees fit.

### 3.3 **Accounting Practices and External Reporting**

#### **Financial Statements**

- (a) Review the effectiveness of the Company's financial reporting framework, including the controls and processes established by management to support compliance with financial reporting requirements.
- (b) Review the Company's audited financial statements and any reports that accompany published financial statements and, following discussion with management and the external auditor, recommend their approval by the Board and referral to the shareholder for adoption or approval.
- (c) Review and consider significant accounting and financial reporting matters raised by management and internal and external audit, with input from management, internal and external audit, and Audit Rabobank, where appropriate.
- (d) Review and consider material judgments made by management in relation to the quality and appropriateness of the Group's accounting principles and their application.
- (e) Assess the adequacy of the review processes relating to loan loss provisioning.

#### **Prudential and Regulatory Reporting**

- (f) Review the effectiveness of the Company's prudential and statutory reporting framework, including the controls and processes established by management to support the regulatory reporting certifications and attestations of the Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**), and the disclosures made in those certifications and attestations.
- (g) Review the process for compiling major reports to financial sector and prudential regulators.

### 3.4 **External Audit**

#### **Financial Statements**

- (a) In consultation with management, review the effectiveness of the Company's financial reporting systems and controls with the external auditor.
- (b) In consultation with management, review the scope of the external audit plan and the scope of work of the external auditor performed for the purpose of preparing or issuing an audit report. This includes annually reviewing the external audit plan so that it considers relevant material risks, financial reporting requirements and the adequacy of the internal audit plan.
- (c) Regularly review the external audit findings with management and Internal Audit, and monitor the management of those findings to determine whether they are being managed and addressed in an appropriate and timely manner by management.
- (d) Meet privately, at least annually, with the external auditor.

### **Adequacy and Independence**

- (e) Review the independence and effectiveness of the external audit function.
- (f) Review the external auditor's engagement, at least annually, including making an assessment of whether the external auditor meets the auditor independence tests set out in the APES Code of Ethics for Professional Accountants and the additional auditor independence requirements set out in regulatory standards or guidelines.
- (g) Obtain, when considered appropriate by the Chair, from the external auditor a written statement delineating all relationships (including both audit and non-audit services) between the external auditor and the Company and any of its associated entities to assess the auditor's independence.
- (h) Maintain oversight of and approve all auditing services and all permitted non-audit services (including fees and terms thereof) to be performed for the Company by the external auditor, to the extent required by law.
- (i) Monitor compliance with prudential regulations regarding the rotation and employment of external audit personnel, and whether they are fit and proper persons for the purposes of APRA prudential standards.
- (j) Review and approve the external auditor's annual fees.

### **Relationship/Term**

- (k) Endorse the appointment or replacement of the external auditor (with the prior approval of the shareholder and the Chair of the MTWRR and following consultation with the CEO Audit Rabobank (or equivalent)).
- (l) With the support of Audit Rabobank, ensure that controls are in place regarding the term of appointment of the external audit engagement partner and lead review partner under relevant legislation and professional standards.

## **3.5 Financial Risk Management and Compliance**

- (a) Taking into account the Board's allocation of responsibility for review of risk to the Board Risk and Compliance Committee, review the internal financial control systems and compliance processes for accounting, external financial and regulatory reporting.
- (b) Establish and maintain procedures so that matters relevant to the Board Risk and Compliance Committee, the Board Remuneration Committee or the Board that come to the attention of the Committee are referred (as appropriate) to that Committee.

## **3.6 Internal Audit**

### **Risk Management**

- (a) Annually review and approve the scope of the Internal Audit Plan with management, so that it:
  - (i) covers relevant material risks and financial reporting requirements; and
  - (ii) complies with applicable professional standards, requirements, rules and guidelines established by Audit Rabobank relating to the Company.
- (b) Regularly review the progress of work performed in relation to the audit plan (including reviewing the findings of Internal Audit so that matters are being managed and addressed in an appropriate and timely manner).

- (c) Review Internal Audit periodic reports on compliance with, and effectiveness of, the risk management framework and internal control environment.
- (d) Meet privately, at least annually, with the Chief Audit Officer.

#### **Adequacy and Independence**

- (e) From time to time, review the adequacy, independence and effectiveness of the Internal Audit function, including having regard to its objectives as set out in the Audit Charter, Audit Rabobank.
- (f) Assess whether the Internal Audit function is independent of management and the external auditor, and whether there is the appropriate level of access to management and rights to seek information.
- (g) Evaluate activities that are outsourced by the Internal Audit function.

#### **Management of the Internal Audit function**

- (h) Review the responsibilities, resourcing and staffing of the Internal Audit function and, if appropriate, recommend changes to management.
- (i) Ensure the Company's Chief Audit Officer has a direct reporting line and unfettered access to the Committee.
- (j) In consultation with Audit Rabobank, monitor the performance, endorse the appointment and, if appropriate, the dismissal of the Chief Audit Officer, subject to the prior approval of the shareholder and the MT WRR.
- (k) Resolve any disputes escalated by Internal Audit to the Committee Chair.

### **3.7 Tax**

- (a) In consultation with management, review the effectiveness of the tax risk management and governance arrangements.
- (b) Oversee and monitor tax risks.

### **3.8 Other Responsibilities**

- (a) Members will be available to meet with regulators (including, inter alia, APRA, ASIC, Australian Transaction Reports and Analysis Centre (**AUSTRAC**), De Nederlandsche Bank (**DNB**) and the European Central Bank (**ECB**)) on request.
- (b) Examine any other matters referred to it by the Board.

#### **Limitations**

### **3.9 The Committee does not have the duty to:**

- (a) conduct audits (it is the auditor's responsibility, in consultation with management, to plan and conduct the audit, although the Committee does review audit plans); or
- (b) determine that the Company's financial statements and disclosures are complete and accurate and in accordance with general accepted accounting principles and applicable rules and regulations.

**3.10** The Committee's principal function is one of supervision, oversight and monitoring. The Committee performs its principal function based on information provided to it by management. Management is responsible for the preparation, presentation and integrity of information provided

to the Committee and for drawing the Committee's attention to material issues. Without limiting the Committee's responsibilities, as described in this Charter, neither the Committee (as a committee) nor any member of it (by virtue of being a member) has the duty to actively seek out activities occurring within the Company that are not compliant with the Company's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.

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## **4 Reporting and Evaluation**

- 4.1 The agenda and supporting documents will be circulated to Committee members within a reasonable period in advance of each meeting.
- 4.2 The Secretary or his/her delegate will prepare Minutes from each Committee meeting and will circulate them to the Committee and Board members at the next available meeting. The minutes will be signed by the Chair of the Committee.
- 4.3 All Committee papers will be made available to Directors who are not members of the Committee upon request.
- 4.4 The Committee, through its Chair, will advise the Board of any matters of significant importance of which it is aware or which should otherwise be brought to the attention of the Board and any recommendations requiring Board approval and/or action. This will be done at the earliest appropriate opportunity.
- 4.5 The Committee should make recommendations to the Board regarding acceptance of annual financial statements (noting that those financial statements are ultimately reviewed and approved by the shareholder).
- 4.6 An evaluation of the Committee's performance as it relates to the requirements of this Charter will be performed annually as a part of the Board Performance Review.

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## **5 Composition**

- 5.1 The Committee must consist of a minimum of five members (including the Committee Chair), all of whom must be Non-Executive directors of the Company and a majority of whom must be Independent. At least one member of the Committee must also be a member of the Board Risk and Compliance Committee.  
  
'Independence' for these purposes will be assessed by reference to the Standards adopted by the Board from time to time.
- 5.2 Members of the Committee are appointed by the Board.
- 5.3 Having regard to the Company's operational, financial and strategic risk profile, it is appropriate that members of the Committee have a diverse range of backgrounds, skills and experiences. All members of the Committee must be financially literate.
- 5.4 The Committee is required to have at least one member with accounting or financial expertise (i.e. such a member must be a qualified accountant or other financial professional with appropriate experience of financial and accounting matters).
- 5.5 Directors must act in a manner which is consistent with the Directors' Conflicts of Interest Policy.

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## **6 Chair**

- 6.1 The Committee Chair will be appointed by the Board and must be an Independent Non-Executive director of the Company.
- 6.2 Whilst the Committee Chair must not be the Chair of the Board, he/she may also be the Chair of the Board Risk and Compliance Committee.

- 6.3 Should the Committee Chair not attend a meeting, the meeting must be chaired by a person who is an Independent director of the Company.
- 6.4 The Committee Chair will not have a casting vote.

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## **7 Meetings**

- 7.1 Members may attend meetings in person or by electronic means.
- 7.2 The Committee should meet often enough to undertake its role effectively, but not less than four times per year.
- 7.3 In addition, the Committee Chair may call a meeting at any time and will call a meeting of the Committee, if so requested by any member of the Committee, by the external auditors or Chief Audit Officer, or by the Chair of the Board, on reasonable notice.
- 7.4 At a minimum, a quorum will be four members with at least two Independent directors and two non-Independent directors in attendance.
- 7.5 Directors who are not members of the Committee, the CEO and other executives may attend meetings at the invitation of the Committee Chair.
- 7.6 The CFO, the Chief Audit Officer and senior representatives of the external auditor are expected to attend each scheduled meeting of the Committee.
- 7.7 Any other persons of the Company and/or parties external to the Company may be invited by the Committee Chair (or the Committee Secretary at the direction of the Chair) to attend all or part of any Committee meeting.
- 7.8 The Committee may meet from time to time, in the absence of management, provided that the external auditors and Chief Audit Officer are invited to attend all relevant sections of other meetings.
- 7.9 The Company Secretary or a designate will act as Secretary of the Committee and take minutes of its meetings (**Committee Secretary**).

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## **8 Direct Access**

- 8.1 To draw appropriate matters to the attention of the Committee and foster open communication, the following individuals have direct and unfettered access to the Committee: CEO; CFO; Chief Risk Officer; Chief Compliance Officer; General Counsel; Company Secretary; Chief Audit Officer and the external auditor.
- 8.2 The Committee will at all times have free and unfettered access to each of the persons described in clause 8.1 and the Company's senior management personnel including Internal Audit and the external auditor.
- 8.3 The Committee Chair will keep the CEO (as appropriate) fully informed of relevant dialogue between the Committee and senior management or the parties referred to in clause 8.1 above.
- 8.4 The Chief Audit Officer has a direct reporting line to the Committee Chair, whilst maintaining an administrative reporting line to the CEO.

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## **9 Review and publication of charter**

- 9.1 The Committee will review its Charter at least every two years and at such times as the Board or the Committee considers appropriate to keep it up to date and consistent with the Committee's

authority, objectives and responsibilities and report to the Board any changes it considers should be made.

- 9.2 This Charter may be amended by resolution of the Board.
  - 9.3 To the extent of any inconsistency between this Charter and the Constitution of the Company (or any rights of any majority shareholder under the Constitution), the Constitution (or those rights) will prevail.
  - 9.4 This Charter supersedes any terms of reference or Committee charter previously in force.
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