

# Board Audit Committee Charter

12 July 2011

## PURPOSE

- 1) The primary function of the Board Audit Committee (**Committee**) is to assist the Board as the Board fulfils its oversight responsibilities to shareholders by reviewing the:
  - a) Integrity of the financial statements and financial reporting systems of the Group;
  - b) External auditor's qualifications, performance, independence and fees;
  - c) Oversight and performance of the internal audit function (Group Assurance); and
  - d) The Group's financial reporting and regulatory compliance. In conjunction with the Board Risk Management Committee, this includes an oversight of the Group's Australian Prudential Regulation Authority's and Australian Securities and Investments Commission statutory reporting requirements.
- 2) The Committee will primarily fulfil these responsibilities by carrying out the activities outlined in section Responsibilities and Duties of this Charter.

## COMPOSITION

- 3) The Committee must comprise three or more directors as determined by the Board. All members shall be Non-executive independent directors and will be free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgment as a member of the Committee.
- 4) The Committee shall be chaired by an independent Non-executive Director, who is not the Chairman of the Board.
- 5) All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall be an audit committee financial expert.

- 6) Committee members shall not serve on the audit committees of more than two other public companies unless the Board determines such service does not impair the member's ability to serve on the Committee.
- 7) New Committee members will receive induction training from the Chairman of the Committee and the Chief Financial Officer's team.

## MEETINGS

- 8) The Committee shall meet at least four times annually, or more frequently as necessary. Meetings should correspond with the company's financial reporting cycle.
- 9) As part of its role to foster open communication, the Committee should meet regularly with management, the General Manager Group Assurance and the external auditors in separate executive sessions to discuss any matters the Committee or each of these groups believe should be discussed privately.
- 10) The Committee may request any officer or employee of the Group, outside legal counsel or any person or group with relevant experience or expertise to attend meetings of the Committee or to meet with any members or consultants to the Committee.
- 11) Other Directors of the Board are entitled to attend Committee meetings and will receive copies of the papers.
- 12) A quorum of any meeting will be two members including the Chairman.
- 13) The secretary of the Committee will be the Head of Group Secretariat or his/her designated representative.
- 14) The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board.
- 15) The external auditor is entitled to be invited and to attend all meetings of the Committee. The Committee may request the external auditor to meet with any member or consultant to the Committee.
- 16) The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the Westpac Banking Corporation Constitution, this Charter (as amended from time to time) or any resolution of the Board.

## REPORTING

- 17) The Committee shall regularly update the Board about Committee activities and make appropriate recommendations including through:
  - a) Copies of minutes of each meeting of the Committee being tabled at each meeting of the Board at the next practical opportunity; and
  - b) The Chairman of the Committee drawing to the Board's attention any matter of major importance.

- 18) The Committee will refer to the Board Risk Management Committee any matters that have come to the attention of the Committee that are relevant for the Board Risk Management Committee.
- 19) If required, the Committee will provide relevant periodical assurances to the Board Risk Management Committee.
- 20) The Committee will review any reports required by law or listing rules or requested by the Board including the appropriate section on corporate governance in the annual report or other shareholder documents.

## RESPONSIBILITIES AND DUTIES

- 21) To fulfil its responsibilities and duties the Committee shall:

### Financial Reporting Processes

- 22) Review and discuss with management and the external auditor the half year reviewed and annual audited financial statements, including disclosures in the Operating and Financial Review and Prospects section of the Annual Report on Form 20-F and the New Zealand Branch General Disclosure Statement, and recommend to the Board whether the financial statements should be issued.
- 23) Discuss with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the Group's financial statements, including significant changes in the Group's selection or application of accounting principles. Review with the external auditor their report regarding significant findings in the conduct of their audit and the adequacy of management's response.
- 24) Discuss with management, the General Manager Group Assurance and the external auditor any major issues as to the adequacy and effectiveness of the Group's internal controls over financial information, reporting and disclosure as well as any special steps adopted in light of material control deficiencies.
- 25) Discuss with management and the external auditor, judgments on the quality and appropriateness of the Group's accounting principles as applied in its financial reporting, including use of alternative disclosures and accounting principle treatment.
- 26) Review and discuss:
  - a) the process by which management controls the information on Group earnings reported to the media, included in analysts presentations and incorporated in disclosures released to stock exchanges; and
  - b) the type and presentation of information to be included in such disclosure including the use of any "pro forma" or "adjusted" information.
- 27) Discuss with management and the external auditor the process surrounding and the disclosures made by the Chief Executive Officer and the Chief Financial Officer in connection with their personal certification of the half yearly and annual financial statements.

- 28) Discuss with the external auditor the Group's major financial risk exposures and the steps management has taken to monitor and control such exposures including the Group's risk assessments and risk management policies.
- 29) Receive and consider reports from the Chairman of the Board Risk Management Committee on relevant risk matters that should come to the attention of the Committee.

### External Audit

- 30) Recommend to the Board the selection and termination of the external auditor, subject to shareholder ratification, considering independence and effectiveness of the external auditor (including the background and experience of partner and auditing personnel).
- 31) Review annually and approve the terms of engagement and fees and other compensation to be paid to the external auditor including making an assessment whether the external auditor meets the Audit Independence tests set out in APES 110 *Code of Ethics for Professional Accountants*, as well as other additional independence requirements set out by Australian Prudential Regulation Authority.
- 32) The external auditor shall report directly to the Committee.
- 33) Regularly review the audit plan for coverage of material risks and financial reporting requirements.
- 34) Discuss with the external auditor matters relating to the conduct of the audit including any difficulties encountered in the course of the audit work, any restrictions on scope of activities or access to requested information, significant disagreements with management (if any) and adequacy of management's response.
- 35) Annually review the policy for pre-approving audit-related, taxation and other non-audit services to be performed for the Westpac Group by the external auditor. The Policy may incorporate delegation of the power to grant approval to a sub-committee consisting of one or more members of the Committee where appropriate.
- 36) Monitor the application of the pre-approval policy through receipt of regular reports on the provision of non-audit services provided by the external auditor as approved under the pre-approval policy.
- 37) Review the performance of the external auditor. Obtain and review a report from the external auditor at least annually on details of the auditor's internal quality control procedures, and the quality and capabilities of the lead engagement staff.
- 38) Periodically consult with the external auditor out of the presence of management about internal controls over financial information, reporting and disclosure and the fullness and accuracy of the Group's financial statements.
- 39) Review and discuss with the external auditor all significant relationships the external auditor has with the Westpac Group and obtain a declaration from the external auditor to provide reasonable assurance that the external auditor's independence is maintained.

## Oversight of Group Assurance

- 40) Review the appointment and replacement of the General Manager Group Assurance. The General Manager Group Assurance has a reporting line to the Chairman of the Committee.
- 41) Periodically, meet with the General Manager Group Assurance without management being present.
- 42) Review significant reports to management on financial information, reporting and disclosure matters prepared by Group Assurance and monitor that management's responses are received, discussed and appropriately acted upon. Also, discuss with the General Manager Group Assurance potential issues which could impact the Group's financial information, reporting and disclosure.
- 43) Review and approve Group Assurance's charter, annual strategic plan, budget and staffing.
- 44) Review Group Assurance's structure, independence and access to senior management, the Committee and the Board.
- 45) Review the effectiveness of Group Assurance and that it has appropriate standing within the Group.

## Financial Reporting Regulatory Compliance

- 46) Obtain regular reports from management, and the external auditor that the Group and its subsidiary/foreign affiliated entities are in conformity with applicable financial information, reporting and disclosure legal and regulatory requirements. Advise the Board with respect to the Group's policies and procedures regarding compliance with applicable laws and regulations over financial information, reporting and disclosure.
- 47) Review reports from management and the external auditor on the identification and resolution status of material weaknesses and reportable conditions in the internal control environment, including any significant deficiencies in the design or operation of internal controls that could adversely affect the Group's ability to record, process, summarise and report financial data.
- 48) Review and approve the policies and procedures that exist for the receipt, retention and treatment of information submitted confidentially by employees and third parties about accounting, internal accounting controls, compliance, audit or other matters about which an employee has concerns, and monitor employee awareness of the policies and procedures.
- 49) Discuss with management and the external auditor any correspondence with regulators or government agencies and any published reports which raise material issues or could impact on matters regarding the Group's financial statements or accounting policies.
- 50) Discuss with the Group Executive, Counsel & Secretariat, legal matters that may have a material impact on, or require disclosure in, the financial statements.

## Other Responsibilities

- 51) This Charter will be reviewed and updated at least annually and changes required must be recommended to the Board for approval.
- 52) The Committee will annually review its own performance as part of the annual Board evaluation process and report such findings to the Board.
- 53) To the extent the Committee deems necessary to carry out its duties, it shall retain independent legal, accounting or other advisors. The Committee shall have the resources and authority necessary or appropriate to discharge its duties and responsibilities, including authority to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors as it deems necessary or appropriate, without seeking approval of the Board or Management.
- 54) Members of the Committee must be available to meet with representatives of the Australian Prudential Regulation Authority on request.
- 55) The Committee shall set clear hiring policies for employees or former employees of the external auditor.
- 56) The Committee will review the tax report quarterly.
- 57) The Committee will receive and review the Group Support Instruments Register and the Non Arms-Length Register, as provided for in APS222: Associations with Related Entities, on an annual basis.
- 58) The Committee will receive and review the findings of the APS 310: Audit and Related Matters audit.

## Limitation of Board Audit Committee's Role

- 59) While the Board Audit Committee has the responsibilities and powers set out in this Charter, it is not the duty of the Committee to:
  - a) plan or conduct audits, which is the responsibility of the external auditor; or
  - b) determine that the Group's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of the Board based on the recommendation of, and reliance on certifications provided by, management.