

# WESTPAC BANKING CORPORATION

## PRE-APPROVAL OF ENGAGEMENT OF PWC FOR AUDIT OR NON-AUDIT SERVICES

### 1 INTRODUCTION

The Board Audit Committee must pre-approve all audit and non-audit services performed for the Westpac Group by Westpac's external auditor, PricewaterhouseCoopers Australia and all PricewaterhouseCoopers' network firms (collectively referred to in this policy as "**PwC**").

This policy applies to all services provided by PwC to the Westpac Group (including all business units and divisions) and to Westpac Banking Corporation and its Consolidated Entities (including St.George) and all Responsible Entities on behalf of all Funds. It applies to all engagements of PwC irrespective of the value of the services to be performed or the materiality of the entity receiving the service.

### 2 OTHER AUDIT INDEPENDENCE OBLIGATIONS

This policy describes the approvals which have been granted by the Board Audit Committee and associated delegations. It does not address other auditor independence requirements which are required to be observed or assurance frameworks in respect of those other requirements.

Nothing in this Policy is to be interpreted as removing or qualifying in any way the obligation of PwC not to undertake any services which are contrary to the applicable rules or policies of any relevant authority.

### 3 PRE-APPROVAL FRAMEWORK

The Board Audit Committee has pre-approved certain audit, audit related and tax services where it has determined that the provision of such services does not impair the independence of PwC. These pre-approved services are detailed in Attachments A and B.

- ***Pre-Approved Audit Services (Category A)*** – all services set out in Attachment A are pre-approved by the Board Audit Committee, subject only to the restriction that no individual engagement may be for a period of longer than 12 months, except services provided to APCA which may be for a period of no longer than 24 months.. Any engagement for a period of more than 12 months requires the separate prior approval of the Board Audit Committee.
- ***Pre-Approved Audit-Related and Taxation Services (Category B)*** – all services set out in Attachment B are pre-approved by the Board Audit Committee, subject to the following limitations:
  - except as otherwise expressly set out in Attachment B no individual engagement for services in this category is to be for a term exceeding 6

months or for an amount of more than \$500,000 (excluding GST) without the separate prior approval of the Board Audit Committee;

- the aggregate amount of fees for all engagements in this category and Category C combined must not exceed \$5 million (excluding GST) p.a. without the separate prior approval of the Board Audit Committee; and
- the approval of the Group Executive, Counsel & Secretariat, Corporate Counsel, Corporate and Secretariat or the Head of Group Secretariat is required prior to any engagement for PwC for services in this category.

The Board Audit Committee is entitled to delegate to one or more of its members the Committee's authority to approve PwC to perform audit and non-audit services.

- ***Delegation to the Chairman of the Board Audit Committee to Pre Approve Other Services (Category C)*** –The Board Audit Committee has delegated to the Chairman of the Board Audit Committee the authority to pre-approve any non-audit services which are not Prohibited Services subject only to the following limitations:

- no individual engagement for services in this category is to be for a term exceeding 6 months (except in the case of services provided to APCA in which case the maximum term is 24 months) or for an amount of more than \$500,000 (excluding GST)<sup>1</sup> without the separate prior approval of the Board Audit Committee;
- the aggregate amount of fees for all engagements in this category and Category B (Pre-Approved Audit-Related and Taxation Services) combined must not exceed \$5 million (excluding GST) without the separate prior approval of the Board Audit Committee.

The specific approval of the Board Audit Committee is required before PwC is engaged to provide any services to Westpac or a Consolidated Entity which are not within the pre-approvals or delegations set out above (or which exceeds the limits on those pre-approvals or delegations).

In addition, the Board Audit Committee must specifically approve the terms of the annual audit services engagement, including PricewaterhouseCoopers's services in preparing their report on internal control over financial reporting.

Responsible Entities on behalf of Funds may engage PwC without prior approval from the Board Audit Committee provided that the service is not a Prohibited Service.

#### **4 PROHIBITED SERVICES (CATEGORY D)**

PwC must not provide services that have the potential to impair or appear to impair the independence of its audit role.

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<sup>1</sup> In the case of APCA, only Westpac's proportion of fees paid to PwC by APCA (and not amounts paid by other APCA participants) will be subject to the monetary limits in this policy.

Accordingly, PwC must not be engaged by Westpac, its Consolidated Entities or its Funds to provide any of the prohibited services as set out in Attachment D to this policy.

In addition, Westpac, its Consolidated Entities and Funds must not indemnify or exempt PwC from any liability in relation to the following:

- annual audits and interim reviews of Westpac and its Consolidated Entities;
- audits of any company for the purposes of the Corporation Act;
- audit or audit related services in connection with the Group's consolidated financial statements filed with the SEC or internal controls over financial reporting.

## 5 MONITORING AND REPORTING

Group Secretariat will monitor the services provided by PwC. A report in relation to PwC's services, including the ratio of expenditure on non-audit services relative to audit services will be provided to the Board Audit Committee on a quarterly basis.

PwC will also report to the Board Audit Committee on a quarterly basis regarding the audit and non-audit services it is providing, including the status of such services and the effect of providing those services on its independence. In preparing the quarterly independence letter to the Board Audit Committee, PwC will obtain internal clearance from their independence office on compliance with the applicable independence rules in relation to services approved.

## 6 INTERPRETATION

In this Policy:

“*APCA*” means Australian Payments Clearing Association.

“*Consolidated Entity*” means an entity over which the Group has Control, including all subsidiaries of Westpac.

“*Control*” generally means, with respect to a particular entity, the possession, directly or indirectly, of greater than 50% of the voting power of that entity.

“*Fund*” means a Fund is one where the responsible entity, trustee, advisor or equivalent for the Fund is a controlled entity of Group.

“*Group*” means Westpac and its subsidiaries (including St. George Bank Limited).

“*Prohibited Services*” means services in Category D as set out in Attachment D to this policy.

“*Significant Influence*” means the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies if investee holds, directly. Significant Influence is presumed where investor holds directly or indirectly 20% or more of the voting power of the investee.

“*Westpac*” means Westpac Banking Corporation.

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|----------------------------|---|
| Policy Control Information |   |
| Last approved              | 2 February 2010   |
| Revision Cycle             | Annually at the first quarterly Board Audit Committee meeting |
| Policy Owner               | Group Secretariat on behalf of the Board Audit Committee      |

Westpac Banking Corporation

Pre-approval of engagement of external auditor, PwC, for audit or non-audit services

Last amended: 2 Feb 2010

Review: Annually at the first quarterly Board Audit Committee meeting of the calendar year

## **Attachment A**

### **Standing Pre-Approved Audit Services (“Category A”)**

All services in categories set out below are pre-approved by the Board Audit Committee provided in the case of paragraphs 1-4 the engagement is for no longer than 12 months and in the case of paragraph 5 the engagement is for no longer than 24 months.

#### **Audit Service**

1. Statutory audits or financial audits and interim reviews as required or permitted by applicable companies and securities legislation.
2. Attestation report on internal controls over financial reporting, in each case, for purposes of the Group’s annual report on Form 20-F filed with the SEC.
3. Audit, review and attest services (other than those described above in this Category A) associated with the registration and/or filing of documents with regulatory or supervisory authorities and stock exchanges, where it is mandatory or more practical for PwC to provide those services.
4. Opinions for APRA under the tripartite arrangements with PwC, including the annual targeted review and any other regulatory assurances required by APRA.

#### **APCA**

5. Audit, review and attest services in connection with PwC’s role as the Approved Cash Centre’s Auditor of the self managed cash arrangement with the RBA administered by the Australian Payments Clearing Association (APCA)(in which Westpac is a participant).

## **Attachment B**

### **Other Pre-Approved Audit, Audit-Related and Taxation Services (“Category B”)**

Services in the categories set out below are pre-approved subject to the following limitations:

- Except as specified in paragraph 2, no individual engagement for services in this category is to be for a term exceeding 6 months or for an amount of more than \$500,000 (excluding GST) without the separate prior approval of the Board Audit Committee;
- the aggregate amount of fees for all engagements in this category and Category C combined must not exceed \$5 million (excluding GST) p.a. without the separate prior approval of the Board Audit Committee,
- the approval of the Group Executive, Counsel & Secretariat, Corporate Counsel, Corporate and Secretariat or the Head of Group Secretariat is required prior to any engagement for PwC for any services set out in this attachment.

#### **Audit Related Services**

1. Accounting advices on the appropriateness of proposed accounting treatment to be adopted for specific transactions or advice on the impact of new and revised accounting standards on the Group.
2. Agreed upon procedures, comfort letters, accounting opinions, consents and other forms of attestation (including services provided in the capacity as an adviser to Due Diligence Committees and as an Asset Monitor) provided by PwC (including to third parties) in connection with debt, equity or hybrid capital raisings, financing activities, note issue programmes or other related activities. In respect of appointments as Asset Monitor in relation to covered bonds or other financing programmes, appointments may be made on an ongoing basis for periods exceeding 6 months provided the amount payable in respect of that role does not exceed \$500,000 p.a.
3. Reports to external parties (such as the provision of SAS 70 reports) where it is market practice for the external auditor to provide such reports.
4. Reviews, assurances and other forms of reporting (other than those set out in Category A) in relation to prudential standards and disclosure in connection with (or required by) prudential standards, including but not limited to independent reviews in relation to adherence to APS 310 for the purpose of Westpac’s prudential disclosures policy.
5. Licensing of knowledge management tools and the provision of thought leadership, surveys and other research (e.g. Comperio, value financials) which does not fall within Category D.

## **Taxation Services**

### 6. Advice and services regarding:

- Lodgement of income tax returns and tax ruling requests pursuant to Australian and foreign tax legislation;
- Lodgement of returns relating to any form of indirect or secondary tax;
- Assistance in the preparation of tax returns referred to in the two items immediately above but with no authority for making decisions, elections or determining any amounts declared therein; and
- The handling of specific items in tax returns and in connection with responding to queries in relation to those returns from relevant tax authorities.

### 7. Advice and opinions interpreting taxation legislation, law and practice in connection with tax audits and appeals before Australian and foreign tax authorities and agencies.

### 8. General advice regarding statutory, regulatory or administrative taxation developments.

### 9. Training in relation to tax law and compliance matters.

Personal tax services cannot be provided to individuals in a financial reporting oversight role (or their families) and as detailed in Category D to this policy.

### 10. Review of tax distribution figures of publicly offered unit trusts.

## Attachment C

### Pre-Approved Other Services (“Category C”)

The Chairman of the Board Audit Committee is delegated the authority to approve services in the categories set out below subject to the following limitations:

- no individual engagement for services in this category is to be for a term exceeding 6 months (except for services provided to APCA where the maximum term is 24 months)<sup>1</sup> or for an amount of more than \$500,000 (excluding GST) without the separate prior approval of the Board Audit Committee;
- the aggregate amount of fees for all engagements in this category and Category B combined must not exceed \$5 million (excluding GST) without the separate prior approval of the Board Audit Committee.

Prior to engaging PwC for any services in these categories, the proposal must be submitted to Group Secretariat for their consideration. Group Secretariat may refer the matter to the Chairman of the Board Audit Committee whose approval must be obtained prior to the engagement of PwC for any services in the categories set out below.

### **Services which are not Prohibited Services**

Any non-audit services which are not Prohibited Services as set out in Category D including but not limited to services in the following categories:

1. The assessment and testing (but not design or implementation) of security infrastructure controls.
2. Quality assurance reviews at the conclusion of projects.
3. Review of compliance with laws and regulations concerning incorporation or organisation of entities, constituent documentation (such as constitutions and articles of association) and lodgement of statutory filings with regulators.
4. Undertaking internal investigations and fact finding in connection with alleged improprieties.
5. Peer review of the in-house actuarial function and review of actuarial reports and calculations to assist in understanding those valuations and the potential impact of superannuation plan changes or changes in accounting standards.
6. Review of the operational effectiveness of treasury operations and delivery of recommendations regarding potential areas of improvement, provided that such services do not involve the design or implementation of internal controls over financial reporting.
7. Training of employees in relation to new or revised accounting, regulatory or industry developments.

8. Pension or superannuation advisory services related to assistance in the registration of pension or superannuation plans as and when required by country specific regulations.
9. Financial and/or tax-related due diligence and transaction services pertaining to business acquisitions or dispositions (including advice on post-transaction integration services and audits of completion accounts).
10. Financial and/or tax-related due diligence and transaction services pertaining to the provision of debt finance in connection with acquisition or disposition of parties other than Westpac or its Consolidated Entities.
11. Australian and international tax compliance advice and services (excluding strategic tax planning and structuring) with respect to transfer pricing matters including assistance with tax exemptions and the preparation of reports used to comply with taxing authority documentation requirements.
12. Advice and opinions interpreting Australian and foreign tax legislation, law and practice in connection with transactions implemented or proposed by the Group. This is subject to prohibitions on certain types of transactions that are “potentially abusive”, “confidential” or “aggressive” and therefore classified as Prohibited Services.
13. Tax only valuation services related to transfer pricing and cost segregation studies, where the valuation is not included in the financial statements of the Group or any of its Consolidated Entities.
14. Employee tax assistance and compliance for employees not referred to paragraph 14 in Category D, including the calculation of net salaries for expatriates, preparation of individual income tax returns, advice on personal income tax planning, assistance in complying with personal income tax, relocation and associated matters, advice on the impact of changes in local tax laws and consequences of changes in compensation programs or practices. These services will not extend to the provision of bookkeeping services or the handling of funds or any other matter set out in Category D.
15. Review of tax compliance procedures and tax risk management, other than in connection with the provision of audit services.

## **Attachment D**

### **Prohibited Services (“Category D”)**

The following services are prohibited and cannot be provided by PwC to Westpac, its Consolidated Entities or Funds as defined within the SEC Rules:

#### **GENERAL**

PwC must not provide, or be engaged to provide, services that have the potential to impair or appear to impair the independence of its audit role.

These include services which are likely to:

- create a mutual or conflicting business, financial or other interest between PwC and Westpac or any of its Consolidated Entities or Funds;
- result in PwC auditing its own work;
- result in PwC performing management functions or acting as an employee (including secondment arrangements); or
- place PwC in a position of acting as an advocate for Westpac or any of its Consolidated Entities or Funds.

#### **NO ARRANGEMENTS WITH CONTINGENCY FEES, COMMISSION OR SUCCESS FEES**

PwC must not be engaged to provide any services on a basis which involves payment of a contingency fee, commission or success fee.

#### **SPECIFIC CATEGORIES OF PROHIBITED SERVICES**

PwC must not provide, or be engaged to provide, any of the following categories of services:

1. Bookkeeping or other services related to the accounting records or financial statements.
2. Financial information systems design and implementation.
3. The design or implementation of internal controls over financial reporting and accounting records
4. Appraisal or valuation services (other than tax only valuation services as noted in Category C), fairness opinions or contribution-in-kind reports
5. Actuarial services.
6. Internal audit outsourcing services.
7. Management functions, including acting as an employee and secondment arrangements.
8. Human resources services involving:
  - searching for or seeking out prospective candidates for managerial, executive, or director positions;
  - engaging in psychological testing, or other formal testing or evaluation programs;

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- undertaking reference checks of prospective candidates for an executive or director position;
  - acting as a negotiator on the Group’s behalf, such as determining position, status or title, compensation, fringe benefits, or other conditions of employment; or
  - recommending, or advising the Group to hire, a specific candidate for a specific job (except that PwC may, upon request by the Group, interview candidates and advise the Group on the candidate's competence for financial accounting, administrative, or control positions).
9. Broker-dealer, investment adviser or investment banking services.
10. Legal services.
11. Providing an expert opinion or other expert service for the purpose of advocating the interests of Westpac, a Consolidated Entity or a Fund in litigation or in regulatory or administrative proceedings or investigations.
12. Services relating to marketing, planning or opining in favour of the tax treatment of a transaction that is a Confidential Transaction<sup>1</sup> or an Aggressive Tax Position Transaction for purposes of applicable PCAOB independence rules.<sup>2</sup>
13. Tax services in connection with certain types of potentially abusive tax transactions.
14. Tax services (including employee tax assistance and compliance) to:
- (a) Individuals, and any immediate family members of any individuals, in a Financial Reporting Oversight Role including but not limited to any executive director, group executive or general manager in the Westpac Group who has a Financial Reporting Oversight Role;<sup>3</sup> or
  - (b) any group executive or general manager in the Westpac Group who is not in a Financial Reporting Oversight Role, unless:
    - (i) the group executive or general manager who had engaged PwC to provide personal tax services prior to the adoption of this policy; and
    - (ii) the Chairman of the Board Audit Committee has approved transitional

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<sup>1</sup> A Confidential Transaction for purposes of applicable PCAOB independence rules is a transaction that is offered by an advisor under conditions of confidentiality and for which the taxpayer pays the advisor a fee. Confidentiality refers to a limitation on disclosure of the tax treatment or tax structure of the transaction that protects the confidentiality of that advisor’s tax strategies.

<sup>2</sup> An Aggressive Tax Position Transaction for purposes of applicable PCAOB independence rules is a transaction where tax avoidance is a significant purpose of the transaction and where the proposed tax treatment is not “likely” to be allowable under applicable laws. “Likely” is defined in terms of a transaction being more likely than not to be allowable under applicable tax laws.

<sup>3</sup> A Financial Reporting Oversight Role is a role in which a person is in a position to, or does, exercise influence over the contents of the financial statements, or exercises influence (or is in a position to) over anyone who prepares them. The restriction also applies to persons serving in a financial reporting oversight role at Westpac or its Consolidated Entities (unless, in respect of a Consolidated Entity, that Consolidated Entity has an auditor other than PwC or its financial statements do not contribute more than 5% of total assets or net profit after tax of the consolidated Westpac Group).

arrangements for tax services for the relevant group executive or general manager and the services are provided in accordance with those transitional arrangements.

This restriction applies whether the service is paid for by the Westpac Group, a Fund or by the individual.

15. For corporate recovery and similar services, Westpac or a Consolidated Entity may not appoint, approve or influence the appointment of PwC where:

- it has Control or Significant Influence over the syndicate of financiers;
- it has a significant stake in the outcome of the transaction (e.g. where the amount due from the third party is material to Westpac or its Consolidated Entity or Fund);
- it has primary responsibility for reviewing the External Auditor's advice and for making decisions based on that advice;
- it pays more than its proportionate share of fees for the advice of PwC;
- it is the sole lender to the third party (in such cases PwC may not be appointed as investigating accountant, receiver, administrator or liquidator to that third party);
- the terms of the engagement include any indemnification of PwC other than in relation to the validity of appointment;
- the security is a fixed charge; or
- the debtor objects to the appointment of PwC on the grounds of conflict of interest.