

Internal Audit Charter

February 2021



1. Purpose & Objectives

- 1.1. The primary purpose of the Internal Audit Division (IAD) is to provide independent and objective risk-based assurance to the Board Audit Committee (BAC), other Board Committees (including the Board Governance and Compliance Committee and the Board Risk Committee) and Senior Management on the compliance with, and effectiveness of, Macquarie's financial and risk management framework, including its governance, systems, structures, policies, processes and people for managing material risks.
- 1.2. The objectives of IAD include:
 - assessing whether material risks have been properly identified by management and reported to the Board (or relevant Board Committees), giving consideration to current activities, trends, and emerging issues;
 - assessing whether key internal controls (including management oversight processes) are properly designed, and are operating effectively and sustainably to mitigate those material risks;
 - assessing the adequacy of management's response to significant control weaknesses, including instances of significant internal and external fraudulent activity;
 - periodically assessing the adequacy of Macquarie's APRA regulatory reporting control framework, and reporting to key regulators in other jurisdictions as appropriate; and
 - conducting investigations on behalf of the BAC, management and external regulators as required.
- 1.3. In pursuing these objectives, IAD is required to:
 - maintain effective communication with the BAC as well as each of the businesses and entities within the Macquarie Group;
 - promote openness and transparency in the reporting of risk exposures and incidents; and
 - promote the timely and efficient resolution of identified issues.

2. Independence & Objectivity

- 2.1 IAD must operate with independence, have an impartial, unbiased attitude and avoid any conflict of interest, whether actual or perceived. To this end, IAD will inform the BAC, seek their approval and agree any measures required to confirm IAD's independence is maintained where IAD staff members were previously responsible for the design or operation of areas, systems, processes or projects or the associated key controls.
- 2.2 IAD must exhibit the highest level of professional scepticism in gathering, evaluating, and communicating information about the activity or process being examined. IAD is required to make a balanced assessment of all the relevant circumstances and not be unduly influenced by others in forming judgments.
- 2.3 IAD must remain independent of the external auditor and must not delegate its judgement on Internal Audit matters to others (unless otherwise agreed with the BAC).
- 2.4 The Head of IAD reports functionally to the Board Audit Committee and is primarily accountable to them.

- 2.5 The Head of IAD reports operationally to the Group Chief Risk Officer (CRO) for day-to-day management. For audit matters relating to the Risk Management Group, the role of the CRO will be replaced by the Group Chief Executive Officer (CEO).
- 2.6 BAC has the primary power of direction over IAD. Senior management may request IAD to conduct investigations and/or assess areas in addition to those set out in the annual Audit Plan. The Head of IAD will assess any requests against the Audit Plan and determine on a risk basis whether to agree to these requests. Additions must be reported to the BAC.
- 2.7 The Head of IAD has unrestricted access to the BAC and may call a meeting with the BAC Chairman at any time. At each BAC meeting the Head of IAD meets privately with the non-executive BAC members.
- 2.8 The BAC approves any appointment, replacement, reassignment or dismissal of the Head of IAD.
- 2.9 The Head of IAD may undertake audits outside the scope of the approved audit plan on significant areas of risk at his or her discretion.
- 2.10 For clarity, it is acknowledged that it is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to IAD's findings. The existence of IAD does not in any way relieve management of this responsibility.

3. Internal Audit Responsibilities

- 3.1 In consultation with Senior Management and the Board Audit Committee, develop an Audit Plan and Financial Budget at least annually, using an appropriate risk-based methodology. The Audit Plan is to be adequate to the scale and complexity of Macquarie's operations, and must include:
 - consideration of the inherent risk attaching to Macquarie's functions and activities;
 - consideration of the organization's strategies, key business objectives, associated risks, risk management processes, and any risk or control concerns identified by management;
 - areas selected for review for the plan year, including time allocation;
 - assessment of the appropriateness, effectiveness and adequacy of the risk management framework, with coverage of all material elements of the framework over any 3 year period;
 - an allowance for unspecified work relating to risk profile changes and additional reviews in response to requests from the BAC or other stakeholders; and
 - team structure and resource plans, including any proposed use of external consultants.
- 3.2 Regularly monitor the adequacy of the Audit Plan and Financial Budget, having regard to (among other things): changes to business activities, regulatory requirements and market conditions.
- 3.3 Deliver the Audit Plan, as approved, and report the results of each audit in a timely manner. These reports are to include the scope of each audit and any difficulties encountered, including any restrictions to the scope of work or on access to required information.
- 3.4 Routinely conduct follow-up reviews of the adequacy of the actions taken by management in relation to Internal Audit findings and report the results, including the status of unresolved issues.
- 3.5 Report directly and regularly to the BAC and the appropriate Management Committee on significant audit findings, as well as on significant previously reported issues that have not been resolved within a reasonable timeframe (including the adequacy or otherwise of any interim control measures).
- 3.6 Provide a report on IAD's performance at least every six months. This report is to include any changes to the scope of the Audit Plan and progress against the Plan including time taken.

- 3.7 Liaise with the external auditors on a regular basis to confirm there is effective communication and coordination, and to avoid any unnecessary duplication of effort.
- 3.8 Confirm all work is performed with proficiency and professionalism, including the application of sufficient knowledge, skill and competence. This includes engaging external specialists as appropriate.

4. Professional Standards

- 4.1 IAD must apply a structured, risk-based audit methodology that is consistent with the Institute of Internal Auditors (“IIA”) International Professional Practice Framework.
- 4.2 IAD must establish and operate quality control procedures that confirm that both IAD and generally accepted professional standards and practices are followed.
- 4.3 IAD must undertake a quality assurance and improvement program for the internal audit activity that is designed to assess adherence with IAD methodologies and practices, and that supports continuous improvement of the function. The results of the quality assurance program and IAD’s conformance with the IIA Code of Ethics and Standards, will be reported to the Board Audit Committee at least annually.
- 4.4 At least every three years there will be an external review of IAD against the relevant professional standards, the results of which will be reported to the Board Audit Committee.

5. Access to Information

- 5.1 In fulfilling its role, IAD is authorised to have unfettered access to all Macquarie’s activities, records, properties and personnel, and will be free to review and appraise any policies, procedures, systems, activities, operations and records.
- 5.2 IAD must confirm that appropriate levels of security and confidentiality are maintained over documentation and information obtained in the course of carrying out its responsibilities.
- 5.3 The external auditors are authorised to have unrestricted access to all of IAD’s work papers and reports.

6. Review of IAD

- 6.1 The BAC monitors and reviews the effectiveness of Internal Audit, after seeking input from the CRO (where appropriate). The performance of the IAD function against the IAD Charter will be reviewed annually.
- 6.2 The BAC monitors and reviews the degree of independence of the Head of Internal Audit.
- 6.3 The BAC monitors and reviews the performance objectives and ratings of the Head of IAD, after seeking input from the CRO (where appropriate).

- 6.4 The BAC monitors and reviews the remuneration of the Head of IAD, after seeking input from the CRO (where appropriate).
- 6.5 This charter will be reviewed annually by IAD. Any changes will be reviewed and approved by the BAC.

Definitions

Macquarie means the Macquarie Group (i.e. Macquarie Bank Limited, Macquarie Group Limited and each of their subsidiaries).