

# Board Audit Committee Charter

## 1. ROLE

- 1.1 The Board Audit Committee (the “Committee”) assists the Boards of Voting Directors (“Directors”) of Macquarie Group Limited (“Macquarie”) and Macquarie Bank Limited (the “Bank”) (together, the “Boards”), in fulfilling the Boards’ responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting of the Macquarie Group (the “Group”). This includes:
- overseeing compliance of the financial statements with the requirements of the Corporations Act 2001 (Cth) and other mandatory professional reporting requirements, including the Australian Prudential Regulation Authority’s (“APRA”) statutory reporting requirements, and making informed decisions regarding accounting and regulatory policies, judgements, practices and disclosures;
  - reviewing the adequacy of the Group’s control framework for financial regulatory reporting to APRA and prudential regulators in other jurisdictions;
  - reviewing the scope and results of Internal Audit reviews and external audits;
  - assessing the effectiveness of the Group’s key controls in relation to accounting and financial records and reporting and, referring matters relating to the duties and responsibilities of the Board Risk and Board Governance and Compliance Committees to the appropriate Committee; and
  - assessing the effectiveness of Internal Audit in carrying out the responsibilities under its charter.

## 2. ALLOCATION OF RESPONSIBILITIES BETWEEN BOARD COMMITTEES

- 2.1 The allocation of responsibilities between Board Committees is described in the Macquarie Board Charter.

## 3. RESPONSIBILITIES

To accomplish its role, the Committee:

### External Audit

- 3.1 Recommends to the Boards the appointment and removal of the external auditor. The engagement of the external auditor will be reviewed annually and tenders may be called to assist in deciding which external auditor should be recommended.
- 3.2 Reviews, considers and advises the Boards on:
- a) the external auditor’s annual plan and any significant changes;
  - b) the fees proposed by the external auditor, including whether an effective, comprehensive and complete audit can be conducted for the fee; and

- c) annual review of the qualification, expertise, resources and performance of the external auditor.
- 3.3 Monitors the effectiveness, objectivity and independence of the external auditor. This may include obtaining statements from the external auditor on its relationships with the Group.
- 3.4 Approves and monitors the Group's policy in relation to the provision of non-audit services by the external auditor to satisfy itself that the provision of these services does not impair the external auditor's independence or objectivity.

#### **Financial Statements**

- 3.5 Reviews with management and the external auditor at the completion of the half yearly review and the annual audit, and advises and makes recommendations to the Boards as to:
  - a) Macquarie's and the Bank's financial statements and related notes (and their approval);
  - b) the external auditor's audit or review of the financial statements and the external auditor's report;
  - c) any serious difficulties or disputes with management encountered during the course of the audit or review; and
  - d) other matters related to the conduct of the audit or review which are communicated to the Committee.
- 3.6 Reviews the significant accounting and financial reporting issues and judgements, complex or unusual transactions made in connection with the preparation of Macquarie's and the Bank's financial statements, interim reports, preliminary announcements and related formal statements. Reviews the disclosures in the financial statements. Reviews recent regulatory and professional pronouncements and assesses their impact on the financial statements, as advised by the Chief Financial Officer.
- 3.7 Reviews Macquarie's and the Bank's financial statements and considers whether they are consistent with information known to Committee Members and reflect appropriate accounting principles, standards and regulations.
- 3.8 Reviews any significant issues raised by subsidiary audit committees in the Group.

#### **Internal Controls**

- 3.9 Considers and reviews with the external auditor:
  - a) the adequacy of the Group's internal controls in the context of the external audit work undertaken, referring matters relating to the duties and responsibilities of the Board Risk and Board Governance and Compliance Committees to the appropriate Committee;
  - b) the adequacy of the Group's financial regulatory reporting to APRA and other prudential regulators in other jurisdictions as appropriate;
  - c) any related significant findings and recommendations of the external auditor and management's responses; and
  - d) any instances of significant internal and external fraudulent activity identified by the external auditor and management's responses.

- 3.10 Considers and reviews with management and the Head of Internal Audit:
- a) the adequacy of the process for reporting and responding to significant control weaknesses, including the adequacy and results of management's investigation and follow up and whether there are significant unresolved issues, as reported by the external auditor or Internal Audit;
  - b) the adequacy of the Group's key controls through reviewing the scope and results of Internal Audit work undertaken, referring matters relating to the duties and responsibilities of the Board Risk and Board Governance and Compliance Committees to the appropriate Committee;
  - c) any difficulties encountered in the course of Internal Audit reviews, including any restrictions on the scope of the work or access to required information;
  - d) any instances of significant internal and external fraudulent activity identified by Internal Audit and management's responses;
  - e) the adequacy of the Group's APRA regulatory reporting control framework and reporting to prudential regulators in other jurisdictions as appropriate; and
  - f) the significant findings of any auditor observations.
- 3.11 Monitors and reviews:
- a) the performance of the Head of Internal Audit and the effectiveness of the Internal Audit function in forming an independent assessment as to whether risks have been properly identified, adequate controls are in place to manage these and the controls are working effectively, after seeking input from the Chief Risk Officer;
  - b) the degree of independence of the Head of Internal Audit; and
  - c) the remuneration of the Head of Internal Audit, after seeking input from the Chief Risk Officer.
- 3.12 Approves the appointment and removal of the Head of Internal Audit.
- 3.13 Approves the Internal Audit annual plan.
- 3.14 Oversees the following for Internal Audit:
- a) progress against the annual plan;
  - b) changes required in the planned scope of the annual plan; and
  - c) structure, resourcing and the use of external consultants.
- 3.15 Annually reviews and approves changes to the Internal Audit Charter.
- 3.16 Meets privately with the Head of Internal Audit and the external auditor at least annually in separate sessions to discuss any matters that the Committee or these parties believe should be discussed privately with the Committee.
- 3.17 Meets with APRA when requested after notification to the Boards.
- 3.18 **Complaint Handling**  
Reviews and considers the resolution of complaints from employees regarding accounting, internal accounting controls or auditing matters.

### 3.19 **Periodic Review**

Reviews the Committee Charter annually and recommends any proposed changes to the Board for approval.

Conducts a periodic, but at least biennial, evaluation of the Committee's performance and the extent to which the Committee has met its responsibilities set out in this Charter.

### 3.20 **Miscellaneous**

Institutes and oversees special investigations if required, including consultation with independent experts as needed.

## 4. **ADMINISTRATION**

### 4.1 **Membership**

The Committee will consist of at least three Non-Executive Directors of the Boards ("Committee Members"). A majority of Committee members must be Independent Directors as defined by Macquarie's *Policy on Director Independence*.

Committee Members should be financially literate and the Chair of the Committee should have significant and relevant accounting experience.

### 4.2 **Chair**

One Committee Member will be appointed Chair of the Committee by the Macquarie Board. The Chairs of the Macquarie and Bank Boards are not eligible to be the Chair of the Committee. If the Chair of the Committee is not present at a meeting of the Committee, the Committee Members present may elect another Committee Member (other than the Chairs of the Boards) to act as Chair for that meeting.

The role of the Chair of the Committee is to:

- oversee the proper functioning of the Committee, including the proper conduct of meetings; and
- advise the Boards on the Committee's recommendations to the Boards on matters falling within the scope of the Committee's responsibilities.

## 5. **MEETINGS**

### 5.1 **Frequency of meetings**

The Committee will hold at least four regular meetings each year and any additional meetings that the Chair of the Committee considers are appropriate for the Committee to fulfil its responsibilities.

The Chair of the Committee is required to convene a meeting of the Committee if requested to do so by:

- any Committee Member;
- the Managing Director and Chief Executive Officer of Macquarie or the Bank;
- the external auditor;
- the Chief Financial Officer;
- the Group Financial Controller;
- the Head of Internal Audit; or
- any Director.

## 5.2 **Attendance by non-Committee members**

All Directors may attend Committee meetings.

The Managing Director and Chief Executive Officer of Macquarie, the Managing Director and Chief Executive Officer of the Bank, the Chief Risk Officer, the Chief Financial Officer, the Group Financial Controller, and the Head of Internal Audit will be invited to attend Committee meetings but will have no voting rights. The external auditor will be invited to attend Committee meetings.

Members of management and/or parties external to the Group may be invited to attend any meeting of the Committee. Non-Committee members may be asked to withdraw from all or any part of a meeting.

## 5.3 **Meetings other than in person**

Where deemed appropriate by the Chair of the Committee, meetings may occur via conference call or other electronic means and approvals and recommendations may occur via written resolution.

## 5.4 **Secretary**

The Macquarie Company Secretary (or their delegate as approved by the Committee) will act as Secretary of the Committee and is responsible, in conjunction with the Chair of the Committee, for preparing the agenda (supported by explanatory documentation and papers) and circulating the Committee papers to Committee Members prior to each meeting. Directors may request papers for or from any meeting of the Committee and will be notified in advance of the agenda of forthcoming meetings.

The Secretary is responsible for keeping the minutes of meetings of the Committee and circulating them to the Chair of the Committee for review, and to other Committee Members, other members of the Boards, Chief Risk Officer, Chief Financial Officer, Group Financial Controller, Head of Internal Audit, external auditor, and other Committee meeting attendees as appropriate.

## 5.5 **Conflicts**

The Macquarie Board approved *Guidelines for Board Members Declaring and Dealing with Conflicts of Interest* will apply to meetings of the Committee.

## 5.6 **Quorum**

A quorum will consist of not less than half of the Committee Members eligible to vote on a matter.

# 6. **ACCESS**

6.1 The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditor, as required by the Committee to carry out its duties.

6.2 Committee Members may seek independent professional advice where they consider it necessary to carry out their duties and responsibilities. Any costs incurred as a result will be borne by Macquarie, subject to the estimated costs being approved by the Chair of the Macquarie Board, in advance, as being reasonable.

## 7. REPORTING

- 7.1 The Committee, through its Chair, will advise and make recommendations to the Boards on matters falling within the scope of its responsibilities. This advice may be in the form of minutes of its meetings, supporting papers, and written or verbal reports at Board meetings.

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