

NATIONAL AUSTRALIA BANK LIMITED (Company)

ACN 004 044 937



BOARD AUDIT COMMITTEE CHARTER

1 Operating Rules

- 1.1 The NAB Board Committee Operating Rules apply to the Board Audit Committee (Committee) and are incorporated into this Charter, except when expressly excluded.
- 1.2 The Committee may recommend changes to the Operating Rules to the Board Nomination & Governance Committee, which will, if appropriate, endorse the proposed changes to the Board for approval.

2 Purpose

- 2.1 This Charter sets out the responsibilities of the Committee.
- 2.2 The purpose of the Committee is to assist the Board in discharging its responsibilities relating to financial reporting by providing an objective, non-executive review of the effectiveness of the Company's financial reporting, regulatory reporting¹ and tax risk management frameworks.

3 Duties and Responsibilities

- 3.1 The Committee is responsible for the oversight of:
 - (a) the integrity of the accounting and financial statements and the adequacy of the financial and regulatory reporting processes of the Company and its controlled entities (Group);
 - (b) the Group's external audit processes, including the appointment, evaluation, management and removal of the Group's external auditor;
 - (c) the Group's internal audit processes, including appointment and removal of the Executive, Internal Audit;
 - (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 Group; and
 - (e) 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 audited annual and half-yearly 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.

¹ In this Charter, a reference to 'regulatory reporting' means reporting in Australia to the Australian Prudential Regulation Authority (APRA), the Reserve Bank of Australia and the Australian Bureau of Statistics, in accordance with APRA Reporting Standards, including statistical reports and survey submissions.

- (b) Review and consider, with management, significant accounting and financial reporting matters raised by internal and external audit.
- (c) Review and approve Group accounting policies and changes proposed by management in relation to the application of those policies, and where material or required by law, make recommendations to the Board for approval of any new policies or changes to existing policies.
- (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.
- (f) Review the controls and processes supporting the financial reporting certifications of the Group Chief Executive Officer (Group CEO) and Group Chief Financial Officer (Group CFO) and the disclosures made in those certifications.

Corporate Reporting

- (g) Review reports on how management satisfies itself that periodic corporate reports are materially accurate, balanced and provide investors with appropriate information to make informed investment decisions.

Regulatory Reporting

- (h) Review reports on how management satisfies itself that regulatory reports are materially accurate.

3.4 Whistleblower Disclosures

- (a) Review, and approve the Company's Group Whistleblower Protection Policy (Policy) and any related procedures for the receipt of confidential information regarding accounting, internal control, compliance, audit and other matters.
- (b) Oversee the Group's ongoing compliance with the Policy, including reviewing processes for ensuring employee awareness of the Policy and for dealing with matters raised under the Policy by disclosing persons.

3.5 External Audit

Financial Statements

- (a) In consultation with management, review the integrity and effectiveness of the Group's financial reporting systems and controls with the external auditor.
- (b) Review, with management, and make recommendations to the Board in relation to the scope of the external audit plan and oversee 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 relevant material risks and financial reporting requirements are covered and that the external auditor is present at the annual general meeting to answer questions from shareholders.
- (c) Regularly review the external audit findings with management, and monitor that matters are being managed and addressed in an appropriate and timely manner by management.
- (d) Meet privately, on at least an annual basis, with the external auditor.

Prudential Standards

- (e) Consider, with management, the scope of the external audit to meet the requirements of APRA Prudential Standards APS 310 and 3PS 310 Audit and Related Matters, in

connection with the audit of APRA data collections, internal controls relating to prudential requirements and compliance with prudential standards and reporting standards during the year.

- (f) Review reports provided by the external auditor to APRA in accordance with APS and 3PS 310 and any associated assessments and other material provided by the external auditor to the Company as an Authorised Deposit-taking Institution (ADI) or as head of the conglomerate group on request.
- (g) Review commentary or responses provided by APRA to the Company as an ADI or as head of the conglomerate group on reports provided by the external auditor and any associated assessments and other material.
- (h) Review any commentary or response on the reports, associated assessments and other material provided by the external auditor that are given to APRA by the Company as an ADI or as head of the conglomerate group.

Adequacy and Independence

- (i) Review the adequacy, independence and effectiveness of the external audit function. Obtain, at least annually, from the external auditor a formal written statement delineating all relationships (including both audit and other services) between the external auditor and the Group to assess the auditor's independence.
- (j) Maintain oversight of and approve all auditing services and all permitted other services (including fees and terms thereof) to be performed for the Group by the external auditor, to the extent required by law, according to established Committee procedures.
- (k) The Committee may delegate to one or more of its members, or to management as it sees fit, the authority to grant pre-approvals for audit and permitted other services to be performed for the Group by the external auditor. A summary of all pre-approvals is to be presented to the Committee at least every six months.
- (l) Review the external auditor's engagement, at least annually, including making an assessment of whether the external auditor meets the Audit Independence tests set out in APES Code of Ethics for Professional Accountants, as well as the additional auditor independence requirements set out in regulatory standards or guidelines.
- (m) Approve the external auditor's annual fees.
- (n) Review and approve the Group External Auditor Independence Policy and review reports from management and the External Auditor on compliance with that Policy.

Relationship/Term

- (o) Select, evaluate, approve compensation of and, where appropriate, replace the external auditor, subject to shareholder approval where required.
- (p) Review the external audit service at least every three years from execution of the audit tender. The criteria for this evaluation of the external auditor's performance will include value delivered to shareholders and the Group under the audit plan, its cost effectiveness, fee benchmarking, independence and performance against key performance indicators.
- (q) Ensure that controls are in place regarding the term of appointment of the external audit engagement partner and lead review partner, including in relation to the audit engagement partner and lead review partner, approving (where applicable) the rotation or extension of the appointment in compliance with the *Corporations Act 2001* (Cth).

3.6 Financial Risk Management and Compliance

- (a) Taking into account the Board's allocation of responsibility for review of risk to the Board Risk & Compliance Committee, review the internal financial control systems and processes for assessing the effectiveness of those systems for accounting, external financial and regulatory reporting, and tax.
- (b) Review findings of identification of significant internal financial control deficiencies identified by management, the Internal Auditor or the External Auditor and monitor that such matters are being resolved in an appropriate and timely manner.
- (c) Review the major reports of financial sector regulators that relate to accounting and external financial reporting of the Group and management's response.

3.7 Internal Audit

Management and Oversight

- (a) Annually review and approve the scope of the Internal Audit Plan with management and the external auditors and regularly review the progress of work performed in relation to the audit plan.
- (b) Receive periodic Internal Audit reports and review: (i) operational matters including adequacy of resourcing (capabilities and capacity), and, planning and execution of the audit plan; and (ii) significant audit issues and insights.
- (c) Meet privately, on at least an annual basis, with Internal Audit and with the Internal Audit strategic partner.

Adequacy and Independence

- (d) Review the adequacy, independence and effectiveness of the Internal Audit function.
- (e) 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.
- (f) At least annually, evaluate activities that are outsourced by the Internal Audit function.

Relationship

- (g) Review and approve the responsibilities, budget and resourcing (capabilities and capacity) of Internal Audit and, if appropriate, recommend changes to management.
- (h) Following consultation with management, recommend to the Board the appointment (and monitor subsequent performance) and, if relevant, dismissal of the Executive, Internal Audit.
- (i) Review and approve the Internal Audit charter on an annual basis.
- (j) Resolve any disputes escalated by Internal Audit to the Committee Chair.

3.8 Tax

- (a) In consultation with management, review the effectiveness of the tax risk management framework and governance arrangements.
- (b) Endorse tax risk settings to the Board for approval, having regard to management recommendations.
- (c) Oversee and monitor tax risks.

3.9 Other Responsibilities

- (a) Maintain and encourage open lines of communication with subsidiary audit committees.
- (b) Monitor that post-acquisition reviews of all new significant businesses acquired are conducted no later than 12 months after settlement of each acquisition. A summary of the review will be provided to Board.
- (c) Make recommendations to the Board regarding acceptance of annual and half-yearly financial statements.
- (d) Provide the Board with an assessment of:
 - (i) the performance and independence of the external auditor;
 - (ii) the performance and independence of the Internal Audit function; and
 - (iii) the management controls and internal compliance systems that support external financial and regulatory reporting.

Limitation

3.10 The Committee does not have the duty to:

- (a) conduct audits (it is the external 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 Group's financial statements and disclosures are complete and accurate and in accordance with general accepted accounting principles and applicable rules and regulations (it is the Board's responsibility, in consultation with management and the external auditor, to do this).

4 Composition

4.1 All members of the Committee must be financially literate.

4.2 The Committee is required to have at least one member with accounting or financial expertise (ie such a member must be a qualified accountant or other financial professional with appropriate experience of financial and accounting matters), as required by applicable laws, corporate governance guidelines and listing standards.

5 Meetings

5.1 The Group CFO and Deputy Group CFO are expected to attend each scheduled meeting of the Committee.

5.2 Senior representatives of the External Auditor and Internal Audit are expected to attend each scheduled meeting of the Committee.

6 Direct Access

6.1 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: Group CEO; Group CFO; Deputy Group CFO; Group Chief Risk Officer; Group Executive, Legal & Commercial Services; General Counsel, Corporate Legal; Executive, Internal Audit (or the equivalent roles); Whistleblower Committee Chair and the external auditor.

- 6.2 The Executive, Internal Audit has a direct reporting line to the Committee Chair, while maintaining an administrative reporting line to the Group CFO.
- 6.3 The Whistleblower Committee Chair has a direct reporting line to the Committee Chair, while maintaining an administrative reporting line to the Group Executive People and Culture.

This Charter supersedes any terms of reference previously in force.