



Audit and Governance Committee Charter

Version No. 2017.1

January 2017

DOCUMENT CONTROL

Document Owner

Name	Position
Isobel Rogerson	Company Secretary

Change Record

Author	Date	Change
Isobel Rogerson	27/11/14	Create Charter
Isobel Rogerson	02/12/15	Annual review
Isobel Rogerson	01/12/16	Annual review

Approval

Name	Evidence
Board	Minutes of meeting 4 December 2014
Board	Minutes of meeting 3 December 2015
Board	Minutes of meeting 1 December 2016

AUDIT AND GOVERNANCE COMMITTEE CHARTER

Introduction

The Board is ultimately responsible for the sound and prudent management of the Bank, including oversight of the Bank's risk management framework, which governs the way the Bank manages risks arising in its operations.

The Board Audit and Governance Committee (Committee) assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Bank's financial reporting, internal control system, risk management framework and internal and external audit functions. In discharging its responsibilities, the Board may, as it considers prudent, place reasonable reliance on the recommendations and advice from this Committee, external advisers and management. In so doing the Board expects all directors to approach their tasks with an enquiring mind and make an independent assessment of the matters for decision.

The Committee provides oversight of, and guidance to, management in the conduct of its activity, but is not involved in that activity.

1. Purpose

1.1. The purpose of the Committee is to:

- (i) assist the Board by providing an objective view of the effectiveness of the Bank's financial reporting framework and overall internal control framework;
- (ii) review the development of and recommend to the Board corporate governance policies and principles applicable to ME.

1.2. The Committee discharges the purpose in clause 1.1 by overseeing the following:

- (i) ME's financial reporting policies and controls;
- (ii) ME's compliance with applicable accounting standards to give a true and fair view of the financial position and performance of ME;
- (iii) the integrity of ME's financial statements;
- (iv) the appropriateness of the accounting judgments or choices exercised by management in preparing the financial statements;
- (v) ME's compliance with Australian Prudential Regulation Authority's (APRA) statutory reporting requirements;
- (vi) the effectiveness of the Bank's risk management framework;
- (vii) the recommendation for appointment or removal, and annually reviewing the performance and independence (including audit partner rotations), of the Bank's external auditor;
- (viii) the adequacy, independence and performance of the ME Bank internal audit function; and
- (ix) the appointment, and if necessary removal, of the Head of the Internal Audit function.

2. Composition

2.1. The Committee will comprise at least three non-executive directors, with a majority of independent directors, as determined by the ME Board.

2.2. The Chair of the Committee (an independent director) will be appointed by resolution of the Board, to be recorded in the minutes of the meeting at which they are made.

2.3. Members of the Committee will be appointed by resolution of the Board, to be recorded in the minutes of the meeting at which they are made.

2.4. The membership of the Committee will be reviewed annually by the Board, or at any other time at the discretion of the Board.

2.5. Notwithstanding the previous clause, if the Chair of the Committee is absent from a meeting, the Committee members present will appoint another independent director as Chair for that meeting.

2.6. The Chair of the ME Board can sit on the Committee but cannot be its Chair.

2.7. 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 have accounting related financial management expertise.

2.8. The Company Secretary will establish an induction program for new members. The Chair has responsibility for ensuring that new members are provided with the induction program.

2.9. The Company Secretary will be responsible for keeping membership records.

3. Authority and Powers

- 3.1. The Committee discharges its responsibilities in accordance with the authority delegated to it by the Board as well as any powers conferred by statute, regulation or regulatory authority requirements.
- 3.2. The responsibilities delegated to this Committee are contained in the Authorities and Delegations Policy, this Charter and any other resolution of the Board as made from time to time.
- 3.3. The Committee is not responsible for supervising the performance of executives and does not become involved in day to day operations and management functions.
- 3.4. The Committee must, at all times, have free and unfettered access to senior management, the internal auditor, the heads of risk management functions and ME's external auditor, and to all information it deems warranted to meet its purpose and carry out its responsibilities.
- 3.5. The Chair and the Committee must, at all times, have free and unfettered access to senior management, the internal auditor, the heads of risk management functions and ME's external auditor.
- 3.6. The Committee can request reports be presented to meetings for the purpose of ensuring that the Committee is able to discharge its responsibilities:
 - (i) Regular reports are to be provided by management, internal audit and the external auditors in accordance with an agreed schedule.
- 3.7. "Issue driven" reports may be prepared on a needs basis (at the request of the Board, the Chair of the Committee, management, internal audit or the external auditors). The Committee has the authority and right to receive written and verbal reports from any management committee.
- 3.8. The Committee may, with the Board's approval, obtain written and verbal advice from external advisors, at ME's cost.
- 3.9. The Committee may delegate its discretions and responsibilities. The Committee will record a copy of all delegations in its minutes.
- 3.10. The Committee may, as determined by the Chair, make decisions by circulating resolution. Approval of a circulating resolution will be evidenced by:
 - (i) the signature of a Committee member entitled to vote on the matter on a written copy of the resolution, or
 - (ii) electronic proof of the Committee member's approval to the resolution.

4. Responsibilities

The Committee is responsible for:

External Audit

- 4.1. Recommending to the Board the appointment and removal of the Bank's external auditor.
- 4.2. The evaluation and oversight of the external auditor, including a determination as to their adequacy and independence.
- 4.3. Reviewing the external audit plan to ensure that all material risks and financial reporting requirements are appropriately addressed.
- 4.4. Reviewing the material findings of external audits, and ensuring that issues are being managed and rectified in a timely and appropriate manner.

Internal Audit

- 4.5. The evaluation of the adequacy, performance, and independence of the internal audit function from executive decision making, including the engagement of an external service provider to perform such a review every three to five years. Reviewing the Internal Audit Charter and ensuring that the internal audit function includes the evaluation of the adequacy and effectiveness of the financial and risk management framework.
- 4.6. Reviewing the internal audit plan to ensure that all material risks and financial reporting requirements are appropriately addressed.
- 4.7. Reviewing the material findings of internal audits, and ensuring that issues are being managed and rectified in a timely and appropriate manner
- 4.8. Ensuring the Head of Internal Audit has a reporting line and unfettered access to the Committee Chair.
- 4.9. Confirming, from time to time, that the Head of Internal Audit has unfettered access to all areas of the Bank required for Internal Audit to fulfil its functions.
- 4.10. Facilitating an open avenue of communication between the Head of Internal Audit, the external auditors and the Board.
- 4.11. In the event of the removal of the Head of Internal Audit ensuring the reasons for the removal have within 10 business days of the removal been provided to, and if required discussed with, APRA.

APRA and Financial reporting

- 4.12. Reviewing, with management and the external auditor (as required), significant accounting and financial reporting issues and judgments made in connection with the Bank's financial statements, including significant changes to the Bank's selection or application of accounting principles.
- 4.13. Reviewing the audited financial statements and any reports which accompany them.
- 4.14. Reviewing with management and the external auditor (as required), the Bank's APRA statutory reporting requirements.
- 4.15. Reviewing any reports, including associated commentary or responses from APRA or management to the reports, provided by the external auditor pursuant to APRA Prudential Standard APS 310.

Speak Up

- 4.16. Ensuring that ME has in place, and that ME employees are aware of, policies and procedures for ME employees to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns.

Recruitment

- 4.17. Ensuring that ME has in place hiring policies for employees or former employees of the external auditor.
- 4.18. Overseeing the employment of former partners, head and lead auditors of the Bank's external auditors.

Governance

- 4.19. Ensuring an appropriate set of corporate governance principles for ME is in place.
- 4.20. Defining and monitoring the relationship between the Board and management.

Other

- 4.21. Review of the Committee's Charter at least annually and any changes to the Charter must be approved by the Board.
- 4.22. Review of the Committee's performance at least annually and report the outcomes of the review to the Board.
- 4.23. Ensuring continuing education is provided to directors on emerging trends and industry and product developments.
- 4.24. Regularly reviewing the above policies and procedures.
- 4.25. Examining any other matters referred to it by the Board.
- 4.26. Meeting with APRA at APRA's request.

5. Meetings

- 5.1. The Committee will meet at least 4 times annually.
- 5.2. The Committee may, at its discretion, schedule additional meetings with management, internal audit and the external auditors.
- 5.3. The Chair will be responsible for setting a calendar of business to ensure that the relevant Committee fulfils its duties and responsibilities as contained in that Committee's charter.
- 5.4. The Chair and Company Secretary will be responsible for setting the agenda for each meeting. Any Committee member may make suggestions for the agenda.
- 5.5. Committee papers will be provided to members in reasonable time prior to the meeting to allow members to prepare for the meeting.
- 5.6. A quorum of the Committee is to comprise a minimum of two non-executive directors.
- 5.7. The external auditor must be invited to all relevant sections of meetings of the Committee but may not be required to attend the full meetings.
- 5.8. The internal auditors, appropriate senior management, advisors and other external parties may be invited to attend meetings of the Committee at its discretion.
- 5.9. The Committee meets, as appropriate, with the internal auditors and/or external auditors without other parties being present.
- 5.10. All other members of the Board may attend the Committee's meetings as observers, and upon request can receive copies of the Committee's papers.
- 5.11. A Committee meeting may be called or held using any technology consented to by all members.

6. Conflicts of Interest

- 6.1. The Board has established the Board Disclosure of Interests and Handling Conflicts of Interest Procedures for handling matters that may give rise to a conflict between the interests of a Director and those of ME.
- 6.2. Any Committee member, with a real or perceived conflict of interest, may not vote on the matter being considered unless the other members agree that the interest should not disqualify the member with the conflict from voting.

7. Voting

- 7.1. A resolution of the Committee must be passed by a majority of the votes cast by the Committee members entitled to vote on the resolution.
- 7.2. Each Committee member present in person or by alternate is entitled to vote and has one vote.
- 7.3. If on any resolution an equal number of votes is cast for and against the resolution, the Chair has no casting vote.

8. Reporting

- 8.1. The Company Secretary will prepare minutes of the meetings for approval at the next meeting. The Chair will sign the minutes.
- 8.2. The minutes will record all decisions made by the Committee.
- 8.3. The minutes will be included in the papers for the next meeting, and will include a schedule of matters outstanding.
- 8.4. The Committee will report to the Board at the next Board meeting through a verbal report from the Chair and, if available, the circulation of minutes, on those of its activities and decisions that should be brought to the attention of the Board.
- 8.5. The Chair will report to the Chair of any other Board committee, at the earliest possible time, any matters that in the opinion of the Committee should be brought to the attention of that other Board committee.
- 8.6. The Committee may refer any relevant matters to another Board committee for consideration and determination by that committee.

9. Limitations

- 9.1. It is not the duty of the Committee to plan or conduct audits. It is the duty of the internal and external auditors to conduct audits.
- 9.2. Without limiting the Committee's responsibilities as described in this Charter, neither the Committee as a committee nor any member of it by virtue of being a member, has the duty to seek out activities occurring within ME that are not compliant with ME's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.