

STAKEHOLDER ENGAGEMENT MODEL
FOR
RELATIONSHIP WITH THE EXTERNAL AUDITOR

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PURPOSE

The **External Auditor Stakeholder Engagement Model** (this engagement model) has been prepared in accordance with the global [Stakeholder Engagement Policy](#) and applies to Australia and New Zealand Banking Group Limited (ANZ) and its controlled entities.

This engagement model outlines the key principles and policies for dealings with External Auditors.

Auditor independence is fundamental to the credibility and reliability of the auditors' reports. This engagement model on the relationship with the External Auditor is in place to ensure that ANZ's External Auditor is independent and is perceived to be independent. The engagement model is set in light of the specific requirements of the Australian *Corporations Act 2001*, SEC independence rules and other professional standards. The engagement model should be read in conjunction with the Audit Committee Charter. It is mandatory and must be followed by all personnel engaging the External Auditor.

EXTERNAL AUDITOR

ANZ's group External Auditor is currently KPMG. This engagement model must be followed for any proposed engagement of the External Auditor and its staff.

The principles of this engagement model should also be considered where ANZ engages audit firms other than KPMG for local reporting purposes.

RELEVANT STAKEHOLDERS

In performing its audit duties, the External Auditor has unrestricted access to persons within ANZ from whom the External Auditor determines it necessary to obtain audit evidence. However, the key stakeholders for the purpose of this document are:

- Chairman of the Audit Committee and members of the Audit Committee;
- Chief Financial Officer;
- Deputy Chief Financial Officer (Deputy CFO);
- Group Financial Controller;
- Head of Financial Policy & Governance;
- Divisional Chief Financial Officers (Divisional CFOs);
- Senior Risk Executives (Credit, Operating and Market); and
- Management, either seeking to appoint the External Auditor or seeking to rely upon a report prepared by the External Auditor for either a syndicate (in which ANZ is a participant) or an ANZ client.

ROLES & RESPONSIBILITIES

Audit committee

- The Audit Committee is responsible for the appointment, compensation, retention and oversight of the External Auditor, including resolving disagreements between management and the External Auditor regarding financial reporting. The External Auditor will provide reports directly to the Audit Committee.
- The Audit Committee must pre-approve all audit, audit-related and non-audit services either on an engagement by engagement basis, or pursuant to specific pre-approval policies adopted by the Audit Committee.
- The Audit Committee will assess regularly the independence of the External Auditor, with at least one formal review per year.
- The Audit Committee will evaluate regularly the effectiveness of the External Auditor, with at least one formal review per year.
- The Audit Committee will maintain an engagement model addressing the provision of services by the External Auditor.

Subsidiary Board Audit Committees

- Subsidiary Board Audit Committees may have specific regulatory requirements in relation to external audit. The key principles set out in this policy should be applied by the Subsidiary Board Audit Committees in the management of external audit engagements. If there are any perceived issues or conflicts these should be raised through the Deputy CFO to the ANZ Audit Committee Chairman for resolution.

Global Leader

In accordance with the [Stakeholder Engagement Policy](#), the global leader for the External Auditor engagement model is ANZ's Deputy CFO, who has accountability to ensure this engagement model is effectively managed.

Global Relationship Owners

The global relationship owners with the External Auditor are as follows:

- **Group Finance** – In Australia the relationship with the External Auditor is owned by Group Finance and supported by Divisional CFO's, who are responsible for oversight and management of the relationship on a global basis.
- **Divisional CFOs** - In other countries or legal entities of the Group, the relationship is owned by the relevant Divisional CFO unless there is a local regulatory rule stipulating that dealings with the External Auditor must be conducted by a specified in-country officer.
- **Other Finance** - Where there is no in-country CFO, the primary relationship lies with the country CEO and/or the country COO, although all material queries and disputes have to be reported to Group Finance.
- **Non-finance** - In many situations the External Auditor will be engaged to perform services where the relationship owner is not in a finance role. In such situations, the engaging party is responsible for oversight and management of the relationship for that engagement.

The relationship owners identified above are responsible for ensuring that all communications with the External Auditor, for whom they have been assigned responsibility, are prompt, accurate and in accordance with the key principles outlined above and the applicable ANZ policies.

All Staff

In line with audit requirements, the External Auditor has unrestricted access to persons within ANZ from whom the External Auditor determines it necessary to obtain audit evidence. All staff should be aware that engagement of the External Auditor should be in line with this engagement model. If staff are unsure of these requirements their first point of contact should be Group Financial Policy.

RELATIONSHIP WITH THE EXTERNAL AUDITOR - KEY PRINCIPLES

1. ENGAGEMENT OF EXTERNAL AUDITOR

All services provided by the External Auditor must be in accordance with the following principles:

- Any audit, audit related and non-audit services listed must not, or must not be perceived to, impair or impact the independence of the External Auditor (audit related services include review and agreed upon procedures engagements);
- the External Auditor should not have a mutual or conflicting interest with ANZ;
- the External Auditor should not audit its own work;
- the External Auditor's relationship with ANZ, or service provided to ANZ, should not result in it acting as management or as an employee of ANZ;
- the External Auditor should not act as an advocate for ANZ;
- there must be a compelling reason for the External Auditor to provide the service; and
- in all cases, contingent fees, commission or success fees are prohibited.

A) Services that may be provided by the External Auditor (subject to pre-approval)

The services for which the External Auditor is permitted to be engaged by ANZ are listed in Appendix 1, with the following requirements:

- All such services undertaken by the External Auditor must be pre-approved by the Audit Committee, the Audit Committee Chairman or pursuant to specific pre-approval policies adopted by the Audit Committee and reported to the Audit Committee.
- All engagements are required to be pre-approved in accordance with this process. Any services with a value above \$50,000 require pre-approval by the Audit Committee or Audit Committee Chair. Services with a value of \$50,000 or less require pre-approval by the Chief Financial Officer; the Deputy Chief Financial Officer; the Group Financial Controller; or the Head of Financial Policy & Governance. All pre-approved services are subsequently reported to Audit Committee.

B) Services that may not be provided by the External Auditor

The services for which the External Auditor is not permitted to be engaged by ANZ are listed in Appendix 2.

These services may, or may be perceived to, impair or impact the independence of the External Auditor, and are therefore prohibited under this engagement model and may be prohibited by applicable law. Pre-approval does not affect the prohibited status of these services.

This is not an exhaustive list of services that may not be provided by the External Auditor. Management must apply the principles above to any proposed service for which the External Auditor may be engaged.

C) Syndicated Loans

A syndicate of banks may at times appoint an accounting firm to undertake a specific engagement for a client of the syndicate. The accounting firm may be appointed by the syndicate or by the client.

In these situations, if ANZ makes the appointment or has significant influence over the appointment, the External Auditor **may not be appointed**.

ANZ **may not participate** in or influence the selection or appointment of the External Auditor to such an engagement, or participate in setting the scope and terms of the engagement where:

- ANZ has control or significant influence over the syndicate (generally, 20% or more participation or where ANZ is a member of the agent bank group or creditors' committee); OR
- ANZ has a significant stake in the outcome of the transaction (for example, where the amount due to ANZ from the third party is material to ANZ); OR
- ANZ has primary responsibility for reviewing the External Auditor's advice and for making decisions based on that advice; OR
- ANZ pays more than its proportionate share of fees for that advice.

In addition, where ANZ is the sole lender to a client, the External Auditor may not be appointed as the investigating accountant, receiver, administrator or liquidator to that client.

D) External Auditor Appointed by an ANZ client

Situations may arise where an ANZ client appoints the External Auditor to prepare a report, for example a report on the state of the client's business or cash flow position.

Where the External Auditor is engaged by the client and the client pays the External Auditor for the provision of this service, a copy of the External Auditor's report may be provided to ANZ and may be relied upon by ANZ subject to the following:

- the client is not on the ANZ watch and control list;
- the report is not the sole source of reliance by ANZ for any subsequent decisions made; and
- the report will make reference to the fact that the scope of work is limited to the terms of reference and the engagement is not an audit or a review.

2. RECRUITMENT OF EXTERNAL AUDITOR STAFF

ANZ requires a two year "cooling off" period before any partner or professional staff of the external auditor, who was a member of the ANZ external audit team, is appointed as a Director or Senior Executive of ANZ. In addition, where a current Director or Senior Executive of ANZ was previously a partner of the External Auditor at a time when the External Auditor was auditor of ANZ, ANZ requires a five year "cooling off" period before any other former partner of the External Auditor is appointed as a Director or Senior Executive of ANZ.

In addition, potential appointments to a senior ANZ Finance role must be approved in advance of the appointment if the candidate, their immediate family member/close relative (i.e. spouses, spousal equivalents, related or unrelated dependants, parents, siblings and non-dependent children) is a partner of the External Auditor (irrespective of whether they worked directly on the ANZ audit) or a senior manager of the External Auditor who provides services to ANZ. Such approval must be granted by the Chairman of

the Audit Committee for appointments at a Group 2 level or higher and by the Chief Financial Officer for appointments at a Group 3 level.

3. EXTERNAL AUDITOR STAFF ROTATION

ANZ requires that the lead and concurring partner involved in the external audit should not remain in a key audit role beyond a period of 5 years and should not return to the audit team for a further five years. In addition, ANZ requires that other audit partners, who have responsibility for decision making on significant auditing, accounting or reporting matters or maintain regular contact with management or the audit committee, should not remain in a key audit role beyond a period of seven years and should not return to the audit team for a further two years. This does not apply to specialist partners such as tax partners and actuarial partners unless they are also engagement partners.

4. NON-BUSINESS RELATED INTERACTIONS WITH THE EXTERNAL AUDITOR

All ANZ Directors or management who receive gifts or entertainment from the External Auditor, shall report the type of gift or entertainment and its approximate value, in accordance with the ANZ Anti-Bribery and Anti-Corruption Policy.

For Directors, the above requirements only apply to gifts or entertainment received as a result of their role at ANZ, they do not apply to gifts or entertainment received as a result of other directorships held in respect of organisations with the same external audit firm.

APPLICATION OF THIS ENGAGEMENT MODEL TO ASSOCIATES

Associates are entities over which ANZ has significant influence rather than control. Generally significant influence exists where ownership interests are between 20% and 50%. As associates are not controlled by ANZ the requirements of this engagement model do not apply, except in the circumstances described below:

- ANZ is paying directly, or partly paying, for the service provided by ANZ's External Auditor; OR
- ANZ is signing the engagement letter for the service being provided.

In either of these circumstances the requirements of this engagement model should apply.

APPENDIX 1 - Services that may be provided by the External Auditor (Subject To Pre-Approval)

Category		Comment
1.1	Provision of accounting advice	<ul style="list-style-type: none"> ▪ Advise on the appropriate accounting measurement and disclosure of matters recorded in ANZ's financial statements ▪ Consult on accounting and reporting matters in relation to merger, acquisition or disposal transactions ▪ Analyse and assess financial information provided by other parties; and provide completion audits or reviews ▪ Training on accounting standards and their implications
1.2	Audit, attest or review services required for regulatory returns or requirements	<ul style="list-style-type: none"> ▪ Statutory audits are included in this category
1.3	Provision of comfort letters to underwriters regarding accuracy of financial disclosures by ANZ	<ul style="list-style-type: none"> ▪ Comfort letters attesting to the accurate extraction of data from audited financial statements are included ▪ Other comfort letters must be analysed for permissibility
1.4	Agreed upon procedures engagements, related to accounting and other records, required to respond to or comply with financial, accounting, taxation or regulatory reporting matters	
1.5	Agreed upon procedures to review the adequacy of controls	<ul style="list-style-type: none"> ▪ Audits of compliance plans ▪ Agreed upon procedures for balance sheet reviews ▪ Usually in the Audit Plan and should be limited to evaluating the framework and operation of controls ▪ This should not to be performed jointly with Group Internal Audit
1.6	Review of legislation (excluding taxation) and advice on its application to ANZ	<p>Analysis and advice on impact of new financial services legislation. Allowable services include:</p> <ul style="list-style-type: none"> ▪ IFRS/Accounting Standards global conversion services ▪ Changes to regulatory standards and requirements. <p>However, project management is prohibited.</p>

Category		Comment
1.7	Due diligence on potential acquisitions, investments or disposals	<p>The External Auditor should not perform any due diligence services which could threaten its independence and any proposed engagement should be considered accordingly. As such, valuation assistance including the identification of intangible assets and contingent liabilities and the determination of the respective fair value; and acting in the role of management in respect of the due diligence is prohibited.</p> <p>However, the following services may be provided</p> <ul style="list-style-type: none"> • Audit/review of <ul style="list-style-type: none"> - opening balance sheet for consolidation purposes - closing balance sheet of businesses to be disposed of - carve-out financial statements of businesses to be disposed of • Financial due diligence on target's financial information and general due diligence on target's operations including review of data room and IT structure • Review of valuation experts' purchase price allocation • Pre-sale due diligence, including vendor assistance, in preparation for the sale process.

APPENDIX 2: Services that may not be provided by the External Auditors

Prohibited services include investigations and consulting advice and subcontracting of operational activities normally undertaken by management, on which the auditor may ultimately be required to express an opinion on its own work.

The table below sets out services that may not be performed by the External Auditor but should not be considered an exhaustive list. Management must apply the principles of this engagement model to any proposed service for which the External Auditor may be engaged.

Category		Comment
2.1	Investigating accountant (IA) work	<ul style="list-style-type: none"> IA work on potential or existing ANZ clients (refer also to section on Syndicated loans)
2.2	Receiver or liquidator and related investigation work	<ul style="list-style-type: none"> Voluntary administration Receivers, liquidators Related investigation work
2.3	Compilation of taxation returns for ANZ staff in financial reporting oversight roles or ANZ legal entities and compilation of financial reports of subsidiary entities	<ul style="list-style-type: none"> Compilation of taxation returns and financial reports of subsidiary companies; The alteration of financial data (for example, by way of journal entry) or gathering or generating data
2.4	Assistance with regulatory and taxation returns	<ul style="list-style-type: none"> Data gathering and review of historic records
2.5	Tax planning and strategy	<ul style="list-style-type: none"> Interpretation of tax legislation and its application to ANZ
2.6	Designing or implementing new IT or financial systems or financial controls	<ul style="list-style-type: none"> Design or implementation of hardware or software that aggregates source data underlying the financial statements or generates information that is significant to the financial statements Operate, supervise or manage the operation of IT systems or local area networks Evaluation of project implementation Assessment, design and implementation of internal accounting controls and risk management controls Monitoring of controls on an ongoing basis Reliance on the External Auditor as the primary basis for determining the adequacy of internal controls and financial reporting systems <p>However, the External Auditor may evaluate the framework and operation of controls as part of the Audit Plan</p>
2.7	Book-keeping, corporate secretarial or payroll	<ul style="list-style-type: none"> All services related to the preparation of accounting records or financial statements
2.8	Appraisal or valuation services, actuarial services or acting in the role as Appointed Actuary	<ul style="list-style-type: none"> Valuations to support business acquisitions or other activities Actuarial services involving determination of the amounts recorded in the financial statements and determination of the actuarial valuation are prohibited. However, actuarial services in respect of the appropriate actuarial methods and assumption as well as attestations required by regulators are permitted.

Category		Comment
2.9	Human resources	<p>All recruitment of ANZ staff including:</p> <ul style="list-style-type: none"> • performing psychological testing or other formal testing or evaluation programs • undertaking reference checks of prospective candidates for Director or senior executive roles; and • negotiate terms or conditions of employment
2.10	Secondments	<ul style="list-style-type: none"> ▪ Any employee of the External Auditor
2.11	Broker, dealer, investment adviser or investment banking services	<ul style="list-style-type: none"> ▪ Serving as a promoter or underwriter, making investment decisions, or executing transactions to buy or sell ANZ assets ▪ Having custody of assets of ANZ
2.12	Legal services or Expert services	
2.13	Internal audit work	<ul style="list-style-type: none"> ▪ Work relating to accounting controls, financial systems or financial statements
2.14	Advice on product structuring	
2.15	Advice on deal structuring and assistance in deal documentation	<ul style="list-style-type: none"> ▪ Involvement of the External Auditor in proposed mergers or acquisitions

Administration

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