

BOARD AUDIT COMMITTEE CHARTER

Effective: 1 January 2015 (Last Updated: 25 March 2016)

1. Purpose of Charter

The Boards of Directors (*the Boards*) of Rabobank Australia Limited and Rabobank New Zealand Limited (*the Banks*) have jointly established a committee known as the Board Audit Committee (*the Committee*). This Charter sets out the roles, responsibilities and terms of operation of the Committee as well as detailing how it is administered.

2. Authority and Coverage of the Committee

The Committee is appointed and authorised by each Board to assist that Board in fulfilling its statutory, fiduciary and regulatory responsibilities. As such, the Committee operates simultaneously as a committee of each Board with distinct responsibilities to each Board. Any potential conflict between the responsibilities of the Committee to the two Boards, or between the duties of any member of the Committee to the two Banks, is to be managed in accordance with the ‘*Conflict Protocol*’ detailed in section 6 of this Charter.

The Committee reports to each Board and exercises the authority and power granted to it from time to time by either Board. Accordingly, the Committee’s authority is derived from:

- (a) the Boards’ approval of this Charter;
- (b) resolutions and approvals, if any, of either Board from time to time; and
- (c) ultimately, the powers of the Boards derived from the Constitutions of the Banks, statute, regulation and common law.

The Committee’s role extends to the branch operations of Coöperatieve Rabobank U.A. (**Rabobank**) in Australia and New Zealand (*the Branches*) by reason of delegations granted by the Executive Board of Rabobank to each Bank’s Board on or about 10 October 2013 (as amended from time to time). By such delegations, each Bank’s Board was granted the power and responsibility to manage the day to day affairs of, and conduct the business of, the relevant Branch of Rabobank. This is particularly relevant because Rabobank is a “foreign authorised deposit-taking institution” carrying on business in Australia and is therefore subject to certain aspects of the Australian Prudential Regulation Authority’s (**APRA**) Prudential Standards (although APRA does not require it to have a Board Audit Committee). In the pursuit of its objectives, the Committee will be mindful of the relevant provisions of APRA’s Prudential Standards, especially APS 310 and CPS 510. Similarly, Rabobank also carries on business in New Zealand in accordance with the conditions of registration imposed on it by the Reserve Bank of New Zealand (*the RBNZ*). The Committee will be mindful of relevant provisions of the RBNZ’s banking supervision policy documents and regulations such as RBNZ Banking Standard 14 (Corporate Governance).

Each Board has delegated to the Committee (including by way of sub-delegation of the powers delegated to the Boards by Rabobank in respect of the Branches and by Rabo Australia Limited):

- the power to approve certain matters as specified in this Charter; and
- such other power as may be necessary for the Committee to fulfil the responsibilities specified in this Charter,

but except as provided elsewhere in this Charter or any Board resolution, the Committee possesses no further delegated authority from either Board.

Together, the Banks, the Branches, and Rabo Australia Limited (which is not regulated by APRA) form the Rabobank Australia and New Zealand Group (*the Group*).

As the Committee has responsibilities in respect of the individual entities within the Group, references in this Charter to the Group are to be construed as being to each Bank, each Branch and Rabo Australia Limited individually, as applicable, as well as the Group as a whole. That is, in satisfying its responsibilities, the Committee should have regard to each relevant Group entity and its specific circumstances and obligations, as well as considering matters at a Group level. In particular, when advising and making recommendations to the Board of Rabobank New Zealand Limited, the Committee must give advice and make recommendations on what it considers to be in the best interests of Rabobank New Zealand Limited. The specific treatment of certain New Zealand issues in this Charter (particularly in section 5.6) is intended to ensure that the Committee has appropriate regard to those issues – this should not be taken to imply that the Committee is not responsible for the same or similar issues in respect of the Australian entities or to otherwise limit the Committee's responsibilities in respect of the Group as a whole or any individual Group entity.

At all times, the members of the Committee have free and unfettered access to the Group's senior management, the Head of Internal Audit, the heads of all the Group's risk management functions and the External Auditor of each Bank, and vice versa.

The Committee is entitled to obtain information from any employee of the Group or the broader Rabobank Group, or any relevant external party such as external auditors and consultants, as necessary for the performance of the Committee's functions.

3. Purpose of the Committee

The Committee acts as an interface between management, the Internal and External Auditors and the Boards. The Committee provides an objective non-executive review of the effectiveness of the Group's financial reporting and risk management framework and ensures the integrity of the Group's financial controls, reporting systems and internal audit standards.

More specifically, the purpose of the Committee is to oversee:

- (a) *all prudential reporting requirements* – The Committee oversees the Group's compliance with the prudential regulators' statutory reporting requirements, and reviews the effectiveness and integrity of the Group's prudential reporting framework;
- (b) *other financial reporting requirements* – The Committee assesses the integrity of the Group's financial statements and otherwise oversees compliance with the Group's financial reporting obligations, and reviews the effectiveness and integrity of the Group's financial reporting framework;

- (c) *professional accounting requirements* – The Committee oversees the Group's compliance with accounting requirements and reviews its accounting practices in light of applicable Accounting Standards;
 - (d) *internal audit* – The Committee oversees and evaluates the quality of the performance of the Internal Audit function, and reviews the effectiveness and integrity of internal audit systems and standards;
 - (e) *external audit* – The Committee oversees and evaluates the quality of the performance of the External Auditors, as well as their qualifications, independence and fees, and ensures the adequacy of the external audit function;
 - (f) *auditor appointments* – The Committee oversees the appointment and removal of the External Auditors and Head of Internal Audit; and
 - (g) *New Zealand audit* – The Committee is mandated by the Board of Rabobank New Zealand Limited (including by exercising its delegated powers with respect to the New Zealand Branch) to ensure the integrity of the financial controls, reporting systems and internal audit standards of the New Zealand registered banks.
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4. Composition of the Committee

- (a) Members of the Committee are appointed jointly by the Boards.
- (b) The Committee must have at least three members.
- (c) Each member of the Committee must be a non-executive director of both of the Banks and a majority of the members of the Committee must be independent (as defined in APRA Prudential Standard CPS 510 and RBNZ document BS14). A person who is Chairman of either or both Boards may be a member of the Committee.
- (d) The Committee's Chairman is elected jointly by the Boards and may also be the Chairman of the Board Risk and Compliance Committee. However, the Committee's Chairman:
 - (i) must be an independent director of both of the Banks; and
 - (ii) must not be the Chairman of either Board.

Due to the financial nature of the Group, it is appropriate that members of the Committee are financially literate. The Committee should as a whole have recent and relevant experience and should possess a collective balance of skills and expert knowledge – commensurate with the complexity of the banking organisation and the duties to be performed – in financial reporting, accounting and auditing. At least one member of the Committee should have accounting and financial expertise (i.e. is a qualified accountant or other financial professional with appropriate experience of financial and accounting matters).

5. Committee Responsibilities

The overall responsibility of the Committee is to assist the Boards in relation to certain of their oversight responsibilities. It does this by, among other things, monitoring and advising the Boards as to the adequacy and appropriateness of financial statements, accounting policies and practices, and the independence and performance of the Internal and External Audit functions. The Committee also provides a forum for communication between management and the Boards on these matters and a conduit to the Boards for relevant external advice.

In particular, and in addition to the general responsibilities outlined in section 3 of this Charter, the Committee will review, monitor, evaluate and report its findings to the Boards on various matters including as follows:

5.1 Audits Generally

- (i) the Committee will ensure that compliance with, and the effectiveness of, the Group's risk management framework is subject to review by the Internal Audit function and/or the External Auditors at least annually, and that the results of the review are reported to the Committee;
- (ii) the Committee will ensure that, between them, the Internal Audit and External Audit plans cover all material risks and financial reporting requirements of the Group. This will involve the Committee satisfying itself that there is a coordinated approach in regard to the planning and conduct of work between the Internal Audit function and the Group's External Auditors to ensure that the most practicable and cost-effective coverage is achieved in the examination of the systems of internal control and financial statements;
- (iii) the Committee will involve itself in any appointment, suspension or removal of the External Auditors or Head of Internal Audit, on the basis that the Committee's prior endorsement is required for any appointment or removal. Before providing its endorsement, the Committee will consult with the Group's management and Audit Rabobank (**AR**) Global Management. The Chairman of the Committee will discuss the reasons for any such removal with APRA, the RBNZ and any other relevant regulators as soon as practicable and no more than 10 business days after the Committee's endorsement is agreed upon.

5.2 Internal Audit

- (i) from time to time, the Committee will consider and evaluate the duties and responsibilities of the Internal Audit function as laid down in the Audit Charter Rabobank Wholesale Rural & Retail (WRR), having regard to the Internal Audit function's role as the "third line of defence";
- (ii) on a regular basis, the Committee will evaluate the quality of the performance of the Internal Audit function, which will include assessing its compliance with the duties and responsibilities referred to above;
- (iii) the Committee will review and approve any changes to the Audit Charter Rabobank WRR and any specific addendum to that Charter which may be prepared in response to Australian or New Zealand regulatory requirements;
- (iv) the Committee will ensure that the Head of Internal Audit has a reporting line and unfettered access to the Committee, and that the Internal Audit function is independent and adequately resourced;
- (v) the Committee will ensure that the objectives of the Internal Audit function include evaluation of the adequacy and effectiveness of the Group's financial and risk management framework and review of the policies, processes and controls put in place by management to ensure that the prudential requirements of APRA and other relevant regulators are complied with. Accordingly, the Head of Internal Audit must, at all times, have unfettered access to all the Group's business lines and support functions;
- (vi) on a regular basis, the Committee will review and approve the annual Internal Audit plan, which will include assessing whether it complies with the rules and guidelines set by Audit Rabobank Global Management for the overall audit plan of Rabobank Group. If any significant changes to the Internal Audit plan are reported to and ratified by the Committee, the Committee will report those changes to Audit Rabobank Global Management. The Committee will also periodically review the progress of the Internal Audit function against the annual plan and consider areas of audit concern to the Committee;

- (vii) on a regular basis, the Committee will review the findings of audits undertaken in relation to the Group and ensure that issues are being managed and rectified in an appropriate and timely manner. This will involve an appraisal by the Committee as to whether or not management is taking action in accordance with agreed recommendations to correct deficiencies/problems of control significance in a timely fashion;
- (viii) the Committee will ensure that the Internal Audit function reviews any proposed outsourcing of a material business activity and regularly reviews and reports to the Committee on compliance with the Group's outsourcing policy;
- (ix) the Committee will ensure that the Internal Audit function periodically reviews the Group's business continuity plan and assures the Committee as to its adequacy;
- (x) the Committee will review Internal Audit reports tabled at meetings;
- (xi) the Committee will establish and maintain policies and procedures for employees of the Group to confidentially submit any information about accounting, internal control, compliance, audit or other matters about which the employee has concerns, as well as a process for ensuring that employees are aware of these policies and for dealing with matters raised by employees under these policies;

5.3 External Audit

- (i) the Committee will review and affirm the External Auditors' engagement annually. In that regard, the Committee will also ensure the adequacy and independence of the External Audit function;
- (ii) in relation to the Australian External Auditor, the Committee will confirm that the terms of engagement include the requirements set out in paragraph 11 of APRA Prudential Standard APS 310, and will use all reasonable endeavours to ensure the External Auditor complies with those requirements, including the External Auditor's responsibilities under APS 310. The Committee will also assess whether the External Auditor meets the Audit Independence tests set out in *APES 110 Code of Ethics for Professional Accountants* (as issued by the Accounting Professional and Ethical Standards Board from time to time) and the Corporations Act 2001, as well as the additional requirements set out in APRA Prudential Standard CPS 510 regarding the External Auditor's independence and the absence of any conflict of interest situation. As part of this process, the Committee will obtain from the External Auditor the declaration of independence required by paragraph 96 of that prudential standard. The Committee will also report to ARG Global Management regarding its assessment of the External Auditor's independence, to assist Rabobank's senior officer outside Australia to comply with their own obligation to make such an assessment in respect of Rabobank's Australian Branch;
- (iii) in relation to the New Zealand External Auditor, the Committee will confirm that the terms of engagement include the requirements imposed on registered banks by RBNZ Banking Standard 4 (Audit Obligations), Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 and Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 and any other relevant regulatory requirements. The Committee will use all reasonable endeavours to ensure that the New Zealand External Auditor complies with those requirements. The Committee will also assess whether the New Zealand External Auditor meets the requirements of the Companies Act 1993, Financial Reporting Act 2013, auditing and assurance standards issued by the External Reporting Board and other relevant regulatory requirements;
- (iv) subject to its satisfaction with the above matters, the Committee will agree the terms of the External Auditors' Engagement Letters each year and recommend to the Boards the appointment and remuneration of the External Auditors (in accordance with the Group's Remuneration Policy);

- (v) the External Auditors must be invited to meetings of the Committee;
- (vi) the Committee will ensure that each External Auditor has access to all data, information, reports and staff of the Group that the auditor reasonably believes is necessary to fulfil its role and responsibilities, including access to the Boards, the Committee and the Internal Audit function as required;
- (vii) the Committee will ensure that the Australian External Auditor is fully informed of all applicable prudential requirements, including as described in paragraph 20 of APRA Prudential Standard APS 310, and will ensure that the Australian External Auditor is provided with any other information APRA has provided to the Group that may assist the auditor in fulfilling its role and responsibilities. The Committee will ensure the New Zealand External Auditor is informed of all applicable prudential requirements, including as described in RBNZ Banking Standard 4 (Audit Obligations), Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 and Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 and any other relevant regulatory requirements, and will ensure that the New Zealand External Auditor is provided with any further information the RBNZ has provided to the Group that may assist the auditor in fulfilling its role and responsibilities;
- (viii) the Committee will ensure that the Australian External Auditor provides the assurance required by paragraph 27 of APRA Prudential Standard APS 910 for Financial Claims Scheme purposes;
- (ix) the Committee will ensure that it is provided with the Australian External Auditor's reports and other materials referred to in paragraph 21 of APRA Prudential Standard APS 310, as well as the New Zealand External Auditor's reports;
- (x) on a regular basis, the Committee will review and appraise the scope of the annual External Audit plan and the strategy to be adopted. It will also periodically review the progress against that plan and consider areas of audit concern to the Committee. In that regard, the Committee will obtain and consider update reports on the nature and results of work completed by the External Auditors since the previous Committee meeting and the outcomes of any special projects completed (eg the annual APRA tripartite review);
- (xi) following the completion of the audit, the Committee will discuss the results with the External Auditors, particularly in relation to any control or reporting shortcomings noticed in the course of that work, the degree of co-operation the External Auditors received and whether there are any other matters the External Auditors may wish to raise in connection with the audit;
- (xii) the Committee will review all representation letters signed by management and ensure that the information provided is complete and accurate;
- (xiii) the Committee will monitor compliance with prudential obligations relevant to the rotation and employment of external audit personnel, and will ensure that they are fit and proper persons as required by APRA Prudential Standard CPS 520 and are not subject to any direction issued under section 17(2) of the *Banking Act 1959* ;

5.4 Prudential Reporting

- (i) the Committee will review and approve the systems, processes and policies established by management to ensure the timeliness, completeness and accuracy of the reporting required of Group entities to meet their prudential obligations, including the disclosure of information on the Group's risk profile, risk management, capital adequacy, capital instruments and remuneration practices as required by APRA Prudential Standard APS 330, as well as required by the RBNZ through conditions of registration imposed on New Zealand registered banks;
- (ii) the Committee will discuss with senior management, the External Auditors and the Head of Internal Audit whether there were any unusual matters detected during the course of their audits

relating to the requirement that the Group's systems of control are adequate. This will involve a consideration as to whether:

- the prudential standards set for banks are being observed;
 - management systems to control exposures and limit risks are effective and are in operation;
 - any statutory or regulatory requirements and conditions on licences held by entities within the Group (especially banking licences, Australian Financial Services licences, and any conditions of registration, licensing or authorisation requirements under New Zealand law) have been complied with;
 - information provided to the prudential bodies is reliable;
- (iii) in conjunction with the External Auditors (and the Internal Audit function), the Committee will review the reports prepared by the External Auditors for the prudential regulators (eg APRA and the RBNZ) with particular concern for any qualifications or exceptions noted in relation to prudential standards and controls;
- (iv) the Committee will review and, as appropriate, endorse the Australian Chief Executive Officer's and Chief Financial Officer's annual attestation statement which is compiled to meet regulatory reporting obligations. This annual statement will be supported by equivalent statements by relevant line managers obtained by the Board Risk and Compliance Committee;
- (v) the Committee will obtain confirmation from the Chief Executive Officers and the Chief Financial Officers that all material matters raised by prudential regulators in respect of each member of the Group have been brought to the attention of the Committee in a timely manner. Further, between meetings, the Chairman of the Committee is to be copied with all substantive correspondence to and from prudential regulators;
- (vi) the Committee will review all correspondence received by the Group from prudential regulators which raises specific concerns regarding the operation of the Group or any of its entities together with management responses;

5.5 Financial Reporting and Accounting

- (i) the Committee will review the systems, processes and policies established by management for meeting the Group's financial reporting obligations;
- (ii) the Committee will consider the appropriateness of the Group's accounting policies and principles and any changes as to their application. In that regard, the Committee will seek confirmation from management that there have been no matters in regard to the finalisation of the Group's financial statements that should be brought to the Boards' attention in regard to:
- the appropriateness of the reporting format and that the financial statements reflect the financial condition of Group entities to the appropriate standard and otherwise comply with all relevant obligations;
 - whether the methods chosen and utilised by the Group are in conformity with applicable Accounting Standards and concepts and whether they are consistently applied;
 - the valuation of assets including loan portfolio review and any proposed loss provisions;
 - material accounting matters requiring exercise of judgement by management;
 - significant movements in financial statements between periods;

- significant items of an extraordinary or non-recurring nature.

The Committee will also request the External Auditors to inform the Committee of their views on the above including disclosure requirements;

- (ii) the Committee will consider the appropriateness of the accounting policies and principles applied by the Group for capital adequacy and other prudential purposes, including recognition of impaired facilities and provisioning and will ensure the implementation of relevant policies and procedures is subject to adequate internal audit review;
- (iii) the Committee will enquire into and consider any related party transactions and their disclosure;
- (iv) the Committee will make a recommendation to the Boards as to whether the financial statements should be signed based on the Committee's assessment of them.

5.6 Responsibilities in relation to Rabobank New Zealand Limited

Without limiting anything the Committee must do under this Charter in respect of the Group as a whole or any individual Group entity, in respect of Rabobank New Zealand Limited, the Committee must:

- (i) ensure the integrity of Rabobank New Zealand Limited's financial controls, reporting systems and internal audit standards;
- (ii) review the full year, half yearly and quarterly disclosure statements, as part of the process by which the directors satisfy themselves they can make the directors' statement contained in the each disclosure statement and authorise the New Zealand Chief Executive Officer to sign the disclosure statement on their behalf;
- (iii) ensure the Bank obtains a full external audit of the financial statements and additional financial information in the full year disclosure statement, and a limited scope external review of the financial statements and additional financial information in the half yearly disclosure statements and that such audits or external reviews comply with the requirements of RBNZ Banking Standard 4 (Audit Obligations) and other relevant prudential requirements; and
- (iv) assist the Board and the New Zealand Chief Executive Officer in providing attestations as required, as to Rabobank New Zealand Limited's compliance with its conditions of registration and the monitoring of its material risks.

The Committee will make a separate recommendation to the Board of Rabobank New Zealand Limited in respect of these matters.

5.7 Special Assignments

The Committee will take such other steps as are considered by it, in its judgement, to be necessary or prudent in order to ensure the proper fulfilment of its responsibilities including making recommendations for the appointment of external consultants or the utilisation of internal resources to undertake special assignments.

The Committee will ensure that all significant matters in relation to their responsibilities are brought to the attention of the Boards, and that any matters relevant to the Board Risk and Compliance Committee are referred to the BRCC as appropriate. Similarly, the Committee will receive and consider any reports from the Board Risk and Compliance Committee on relevant matters that should come to the attention of the BAC.

6. Other Administrative Matters

Appointment of Alternate: In the event that there is reasonable doubt that a quorum of members will be present at a meeting of the Committee, any member who will not be present at the meeting is entitled, subject to the consent of the Committee Chairman, to confirm in writing any other person who is a non-executive director of both Boards (and who is not already a member of the Committee) to attend the meeting to constitute a quorum, provided that no fewer than half of the directors attending the meeting are independent.

Secretary: Secretary to the Board of Rabobank Australia Limited or designate.

Meetings: The Committee should meet often enough to undertake its role effectively, but not less than four times per year. In addition, the Committee Chairman may call a meeting at any time and will call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of either Board, on reasonable notice.

Wherever possible, meeting dates will be determined at the commencement of each year and aligned with the dates of full Board meetings.

Quorum: At a minimum, a quorum of directors shall be four (4) with at least two (2) independent directors and two (2) non-independent directors in attendance. If the Committee Chairman does not attend a meeting, the meeting must be chaired by a person who is an independent director of both Boards. The Committee Chairman (and the Chairman of either Board) will not have a casting vote.

Meeting Agenda: Notices concerning any meetings will be prepared and circulated by the Secretary, after consultation with the Chairman of the Committee, in sufficient time before meetings, as will submissions and papers.

Minutes of Meetings: All Committee meetings will be minuted and those minutes are to be signed by the Committee Chairman. The minutes of each Committee meeting will be circulated to the Boards as early as practical following their approval by the Committee Chairman and/or to the first meeting of each Board after they have been approved in draft by the Committee Chairman.

Reports to Boards: The Committee, through its Chairman, will report to each Board at the first Board meeting after each Committee meeting is held. Such report will include:

- (a) a summary of key issues discussed at the Committee meeting and related decisions and recommendations; and
- (b) details of any resolutions sought from the Board together with supporting papers.

Attendance at Meetings: The External Auditors and Head of Internal Audit must be invited to all meetings of the Committee.

The Committee may also invite or require to attend at meetings:

- Australian Chief Executive Officer
- New Zealand Chief Executive Officer
- Group Executive, Chief Financial Officer
- other staff members.

As a matter of independence, the Committee is empowered to meet on its own (provided that the External Auditors and Head of Internal Audit are invited to meetings).

Conflict Protocol:

Each member of the Committee should be mindful that they are acting both as a director of Rabobank Australia Limited and as a director of Rabobank New Zealand Limited and have corresponding duties to each Bank, particularly the duty to act in each Bank's best interests. If any Committee member is, may be, or could reasonably be perceived to be, unable to satisfy their duties to both Banks simultaneously (whether because the Banks' respective interests diverge or for any other reason), the actual, possible or apparent conflict of duties must be managed as follows:

- upon identification, the conflict must be immediately brought to the attention of the Committee;
- the Committee must abstain from action giving rise to the conflict and from further considering the subject matter of the conflict;
- the Committee must abstain from voting on any matter relating to the subject matter of the conflict;
- the Committee (by its Chairman) must report to the Board of each of the Banks on the conflict and the relevant competing considerations; and
- the Committee meeting minutes are to record the identification of the conflict and the manner in which the conflict was dealt with under this protocol.

Meeting with Regulators:

Members of the Committee will be available to meet with regulators upon request. Such regulators include the European Central Bank, APRA and the RBNZ.

Specification Changes:

Any modifications to this Charter require prior approval of both Boards.

Charter Review:

This Charter should be reviewed and confirmed annually and at such other times as either Board considers appropriate.

Effectiveness Review:

The Committee Chairman will undertake a periodic review of the Committee's effectiveness, soliciting comment from all members in the interests of continuous improvement.