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# AUDIT COMMITTEE CHARTER

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## PURPOSE

1. The purpose of the Insurance Australia Group Limited (**IAG**) Audit Committee (**Committee**) is to assist the IAG Board (**Board**) to discharge its responsibilities by overseeing:
  - a. the integrity of IAG's external statutory financial statement reporting for IAG and its subsidiaries (**Group**), including compliance with applicable laws, regulations and other requirements in relation to external financial reporting;
  - b. tax and financial risks;
  - c. the provision of high quality financial and audit related non-financial information that can be relied on by the Board to make informed judgements; and
  - d. the independence of the External Auditor, Executive General Manager, Internal Audit (**EGM, Internal Audit**) and Global External Peer Review (**EPR**) Actuary and Chief Actuary.
2. The Committee will ensure the adequacy and independence of both internal and external audit functions.
3. The Committee also serves as the audit committee of Insurance Australia Limited and certain subsidiaries of IAG that the Board determines from time to time. References to 'Board' or 'Boards' in this Charter also apply to each of those subsidiary companies.

## RESPONSIBILITIES

4. Without limiting its role, the Committee will:

### External Financial Reporting

5. Provide an independent review and recommend to the Board for approval the Group's half year and full year statutory reports, annual APRA regulatory return and financial data related declarations and key aspects of the Group's market presentations.
6. Oversee the appropriateness of the Group's accounting policies and principles (as amended) and the methods of applying them, to verify compliance with the stated financial reporting standards and guidelines including, where relevant, regulatory statutory reporting frameworks.
7. Oversee any tax and financial risks and their potential impact on the Group's statutory reports.
8. Consider the outcomes from the Directors' Questionnaire to Management for the half year and full year that support the opinions provided in the CEO and CFO declarations provided for the Group's half year and full year financial reporting.
9. Provide oversight of audit reports issued by the External Auditor on the Group's financial reports and APRA returns.
10. Assess information from the External Auditor, EGM, Internal Audit and Management regarding the quality of both external and internal financial reports.

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## External Audit and the External Auditor

11. Recommend to the Board the appointment or removal of the External Auditor for shareholder approval.
12. Review the External Auditor's engagement annually and recommend to the Board approval of the fees to be paid to the External Auditor.
13. Review and assess the total fees paid to the External Auditor for all non-audit services provided by the External Auditor.
14. Provide approval of all non-audit services proposed to be provided by the External Auditor in accordance with the IAG's Framework for Dealing with External Auditor's Firm Non-Audit Services (**Framework**) and discuss all conflicts that arise within the operation of the Framework.
15. Oversee development of the Audit Plan to ensure it covers all material risks and financial reporting requirements of the Group, discuss audit results with the External Auditor, consider and critique Management's responsiveness to the External Auditor's recommendations and consider the implications of the external audit findings for the control environment.
16. Oversee and annually assess the External Auditor's independence in accordance with the requirements of corporations and insurance laws, regulations, standards and Code<sup>1</sup>.
17. Receive and consider the External Auditor's annual independence declaration to be provided to the Board.

## Internal Audit

18. Oversee the adequacy and effectiveness of the Group's internal financial control systems with Management, the EGM, Internal Audit, EPR Actuary and External Auditor.
19. Evaluate Group processes for assessing and continuously improving internal financial controls, particularly those related to areas of material risk.
20. Oversee and approve the Internal Audit Charter.
21. Oversee the effectiveness of the internal audit function and its organisational structure.
22. Oversee development of and approve the Internal Audit Plan to ensure it covers all material risks and financial reporting requirements of the Group, assess the adequacy of the Internal Audit Plan, consider progress against the plan and critique the appropriateness and timeliness of Management's response to internal audit recommendations.
23. Regularly receive and consider internal audit reports.
24. Maintain a separate reporting line from the EGM, Internal Audit to the Committee.

## Global External Peer Review (EPR) Actuary

25. Consider and approve the terms of the appointment, reappointment and remuneration, and oversee the effectiveness and independence of the EPR Actuary.

## Chief Actuary

26. Receive and consider insurance liabilities reports from the Chief Actuary.

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<sup>1</sup> Code refers to the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

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## Other Responsibilities

27. Provide endorsement to the CEO for:
  - a. the appointment or removal of the CFO, Chief Actuary or EGM, Internal Audit; and
  - b. any restructure to the reporting lines of the CFO, Chief Actuary or EGM, Internal Audit, or to the scope of responsibilities of these positions.
28. Oversee the effectiveness of the audit governance frameworks implemented by the audit committees of subsidiary companies of IAG through:
  - a. oversight of the audit committees' minutes;
  - b. the Chair of the Committee, meeting with the Chairs of audit committees of material licensed subsidiary companies at least annually; and
  - c. provision of a written report from the audit committees of material licensed subsidiary companies.
29. The Chair of the Committee will meet with the Chairs of the Risk Committee and the People and Remuneration Committee at least annually to consider the types of financial reporting and risk covered by each of these committees.
30. Ensure that IAG maintains policies and procedures for employees to submit, confidentially, information about concerns relating to accounting, internal control, compliance, audit and other matters.
31. Review and assess annually the Committee's fulfilment of its responsibilities under this Charter and report findings to the Board.
32. Review this Charter at least every two years or as required and recommend amendments to the Board for approval.
33. Be available to meet with APRA and other regulators upon request.
34. If appropriate, consider any audit matter, notwithstanding that the particular matter may have been previously referred to, and considered by, another Board Committee.

## REPORTING

35. The Chair of the Committee will report on the business of Committee meetings to the Board and make recommendations, as appropriate.
36. The Committee will immediately escalate any actual or suspected material concerns to the Chair of the Board or to the Chair of the appropriate Board Committee.
37. Minutes of Committee meetings will be circulated to all Directors.

## COMPOSITION

38. The Committee will comprise at least four members, all of whom must be independent Non-Executive Directors.
39. The Committee members are to be financially literate, and between them, have accounting and financial expertise and a sufficient understanding of the Group's business, financial, accounting and risk requirements required to fulfil the Committee's responsibilities under this Charter effectively.
40. The Board will appoint the members of the Committee and its Chair.

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41. The Chair of the Committee must be an independent Non-Executive Director. The Chair of the Board must not be the Chair of the Committee.
  42. At least one member of the Board Audit Committee will be a member of the Board Risk Committee to assist with the flow of relevant information between the two Committees.

## MEETINGS

43. The Committee will meet as least four times annually and as often as required to undertake its role effectively.
44. A quorum will be a number equal to:
  - a. where the number of Committee members is an even number, half that number, plus one; or
  - b. where the number of Committee members is an odd number, half that number rounded up to the next whole number.
45. Any issues requiring resolution arising at any meeting of the Committee will be decided by a majority of votes. The Chair does not have a casting vote unless the Committee has an even number of members.
46. The External Auditor, Chief Actuary, Group Chief Risk Officer and EGM, Internal Audit each have a standing invitation to attend Committee meetings.
47. The Committee may invite Management, external advisors and subject-matter experts to attend its meetings.
48. All Directors will have access to Committee papers and may attend Committee meetings.
49. The Chair of the Committee will be required to call a meeting of the Committee if requested by any Committee member, the Group Chief Executive Officer (**CEO**), Chief Financial Officer (**CFO**), EPR Actuary, Chief Actuary or External Auditor.
50. The Company Secretary or their designated representative will act as Secretary to the Committee.
51. The Committee will hold at least two meetings annually with any of the Chief Actuary, EGM, Internal Audit, External Auditor or EPR Actuary or all together, without other Management being present.

## ACCESS AND ADVICE

52. The Committee will have free and unfettered access to IAG Group Executives and Senior Management, the External Auditor, EGM, Internal Audit, EPR Actuary, Chief Actuary and any other persons (internal or external) required to fulfil its responsibilities, and vice versa.
53. The Boards of subsidiaries of IAG covered by the Committee will have free and unfettered access to the Committee.
54. The Committee may engage and consult and/or seek independent advice from such consultants or experts as required by the Committee to carry out the responsibilities and delegations outlined in this Charter.