

ANZ Policy on Relationship with External Auditor

Auditor independence is fundamental to the credibility and reliability of auditors' reports. ANZ has adopted this policy on auditor independence to ensure that ANZ's external auditor is independent and is perceived to be independent. The policy is interpreted in light of the specific requirements of the Australian Corporations Act 2001 and applicable requirements for companies listed in the United States. The policy should be read in conjunction with the Audit Committee Charter.

1. The Audit Committee will be 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.
2. The Audit Committee must pre-approve all audit and non-audit services either on an engagement by engagement basis or pursuant to specific pre-approval policies adopted by the Audit Committee.
3. The Audit Committee will assess regularly the independence of the external auditor, with at least one formal review per year.
4. The Audit Committee will evaluate regularly the effectiveness of the external audit, with at least one formal review per year.
5. The Audit Committee will maintain a policy on the provision of services by the external auditor. This policy is included as the Appendix.
6. ANZ requires that all services provided by the external auditor, including the non-audit services listed on the following pages that may be provided by the external auditor, must be in accordance with the following principles:
 - 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 should not function as part of management or as an employee; and
 - the external auditor should not act as an advocate of ANZ.
7. ANZ requires a two year "cooling off" period before any partner or employee of the external auditor is appointed as a Director or Senior Executive of ANZ.
8. ANZ requires that the lead 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.
9. Any potential appointments of ex-partners or ex-employees of the external auditor to the ANZ finance staff, at Senior Manager level or higher, must be approved in advance of the appointment being made by the Chairman of the Audit Committee.
10. All ANZ management who receive gifts or entertainment from the external auditor, or provide gifts or entertainment to the external auditor, shall disclose the type and approximate value of the entertainment to the Audit Committee.

Such gifts or entertainment must be of a business context, with the primary purpose being to gain additional knowledge or information relevant to the Bank, the financial services industry or to business generally. Invitations to sporting or other social activities would be unlikely to satisfy this criteria.

The Group General Manager Audit, collects and reports such information quarterly to the Audit Committee.

Directors and Management are required to notify Group Audit with details of relevant gifts or entertainment. For Directors, this requirement only relates to their appointment as a Director of ANZ, and does not apply to other Directorships they may hold in respect of organisations with the same external audit firm.

APPENDIX

Services that may be provided by the external auditor – subject to pre-approval

The Audit Committee may pre-approve the provision of the following audit and audit related services (audit related services include review and agreed upon procedures engagements) by the external auditor. These services are not perceived to impair or impact the independence of the external auditor, nor to have the potential to put the auditor in the position of auditing their own work. All such services undertaken by the external auditor must be preapproved by the Audit Committee or pre-approved by the Chairman of the Audit Committee and reported to the Audit Committee.

- Provision of accounting advice - The external auditor may advise on the appropriate accounting measurement and disclosure of matters recorded in ANZ's financial statements
- Audit, attest or review services required for regulatory returns or requirements - Statutory audits are included in this category
- Provision of comfort letters to underwriters regarding accuracy of financial disclosures by ANZ - US-style comfort letters are included; other types must be analysed for permissibility

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- Agreed upon procedures engagements related to accounting and other records required to respond to or comply with financial, accounting, taxation or regulatory reporting matters. Engagements conducted on behalf of internal audit may not relate to accounting controls, financial systems, or financial statements.
- Agreed upon procedures to review the adequacy of controls –
 - o Audits of compliance plans
 - o Agreed upon procedures for balance sheet reviews
 - o Limited to evaluating the framework and operation of controls
 - o Not to be performed jointly with Group Audit
 - o Normally in Audit Plan

Services that may not be provided by the external auditor The auditing firm may not provide the following services. These services may be perceived to impair or impact the independence of the external auditor, and are therefore prohibited as a matter of ANZ policy, or may be prohibited by applicable law. Pre-approval does not affect the prohibited status of these services. These 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 external auditor should not provide any receiver, liquidator or related investigation work.

- Investigating accountant work -IA work on potential or existing clients
- Receiver or liquidator and related investigation work including:
 - o Voluntary administration
 - o Receivers, liquidators
 - o Related investigation work
- Compilation of taxation returns for ANZ legal entities and of financial reports of subsidiary entities, or the alteration of financial data (for example, by way of journal entry) or gathering or generating data.
- Assistance with regulatory and taxation returns - Data gathering and review of historic records
- Tax planning and strategy - Interpretation of tax legislation and its application to ANZ
- Designing or implementing new IT or financial systems or financial controls including:
 - o Evaluation of project implementation
 - o Assessment, design and implementation of internal accounting controls and risk management controls
 - o Reliance on external auditor as the primary basis for determining the adequacy of internal controls and financial reporting systems
 - o External auditor may evaluate the framework and operation of controls as part of the Audit Plan
- Book-keeping - All services related to the preparation of accounting records or financial statements
- Appraisal or valuation services, actuarial services - Valuations completed to support business acquisitions or other activities
- Human resources - All recruitments of ANZ staff
- Secondments - Any employee from the external auditor
- Broker, dealer, investment adviser or investment banking services
- Legal services or Expert services
- Internal audit work relating to accounting controls, financial systems or financial statements
- Advice on product structuring
- Review of legislation and advice on its application to ANZ - Analysis and advice on impact of new financial services legislation
- Advice on deal structuring and assistance in deal documentation –including involvement of KPMG in proposed mergers or acquisitions
- Due diligence on potential acquisitions or investments –including all potential acquisitions

Syndicated loans or similar situations

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, ANZ's external auditor may not be appointed. ANZ may not participate in the selection of, appoint or influence the appointment of the external auditor, or participate in setting the scope and terms of the engagement where

1. ANZ has control or significant influence over the syndicate (generally, 20% or more participation or a member of the agent bank group or creditors' committee)
2. 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)
3. ANZ has primary responsibility for reviewing the external auditor's advice and for making decisions based on that advice
4. 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 investigating accountant, receiver, administrator or liquidator to that client.