

EXTERNAL AUDITOR - INDEPENDENCE AND PERFORMANCE ASSESSMENT

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PURPOSE

This paper outlines the key principles and policies applied by the Audit Committee when considering Auditor independence and performance, including the tenure of the External Auditor and Key Audit Engagement staff.

Auditor independence is fundamental to the credibility and reliability of the External Auditors' report. ANZ's Stakeholder Engagement Model for Relationship with the External Auditor ensures that ANZ's External Auditor is independent and is perceived to be independent.

ROLES & RESPONSIBILITIES

Audit Committee

In addition to the regular assessment of the independence of the External Auditor (with at least one formal review per year), the Audit Committee also performs an annual performance assessment of the External Auditor, which together inform an assessment on whether or not to commence an external audit tender process. The Audit Committee also oversees the application of the Key External Audit Staff Rotation practices.

SUBSIDIARY BOARD AUDIT COMMITTEES

Subsidiary Board Audit Committees may have specific regulatory requirements in relation to the External Auditor. The key principles set out in this paper are also applied by Subsidiary Board Audit Committees in the management of External Audit tenure. If there are any perceived issues or conflicts these should be raised through the Deputy Chief Financial Officer to the ANZ Audit Committee Chairman for resolution.

KEY PRINCIPLES

Lead Audit Partner and Engagement Quality Review Partner Rotation

ANZ requires that the lead and engagement quality control review Partners involved in the external audit 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.

The current lead audit Partner's tenure is due to expire at the end of the 2025 financial year reporting process (having been appointed for FY21) and the Engagement Quality control review Partner's tenure is due to expire at the end of the 2024 financial year (having been appointed for the 2020 financial year).

Other Audit Staff Rotation

In addition to the mandatory rotation of the lead audit Partner and engagement quality review Partner above, 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 audit partners.

Annual External Auditor Assessment (including consideration of Audit tender)

The ANZ Group's External Auditor is currently KPMG. The Group appointed Peat, Marwick, Mitchell & Co (predecessor to KPMG) in 1969.

An External Auditor tender process was run in 2015 (a non-competitive tender) where the Audit Committee considered KPMG's audit approach, local and international capability and experience, independence, and tenure. The Audit Committee resolved to reappoint KPMG.

In September 2020 the Audit Committee conducted its formal annual assessment of the performance of the External Auditor. As part of this process, the Audit Committee concluded not to commence an external tender in the next financial year.

