

# Board Audit Committee Charter.

Legal | Version 7 | 8.12.2022

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# 1. Introduction.

- 1.1 The board of Judo Capital Holdings Limited and Judo Bank Pty Ltd (collectively “Judo”) (the “Board”) is responsible for the objective oversight of the effectiveness of Judo’s financial reporting.
- 1.2 This Charter sets out the roles and responsibilities, membership and terms of operation of the Board Audit Committee (“Committee”), which has been established by the Board.
- 1.3 In discharging its responsibilities, the Board has delegated authority to the Committee in accordance with the provisions of this Charter as well as any powers conferred by statute, regulation or regulatory authority requirements

## 2. Responsibilities of the Committee.

- 2.1 The Management team is responsible for:
  - (i) the preparation, provision and integrity of information and all matters about which the Committee or Board should be informed of, or provided assurance, in relation to its financial reporting and overall internal control frameworks.
  - (ii) implementing and maintaining appropriate accounting, financial reporting and risk management principles, processes and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations and to identify and address financial and taxation risk in excess of the RAS.
- 2.2 Internal audit is responsible for independent reviews of the adequacy and effectiveness of the financial and risk management framework and compliance with policies.<sup>1</sup>
- 2.3 External audit is responsible for carrying out each audit and review in accordance with the applicable auditing and review standards.
- 2.4 The Committee advises the Board on the effectiveness of Judo’s accounting, auditing, financial and regulatory reporting and overall internal control frameworks. The responsibilities and duties of the Committee are to:

### Financial and Regulatory Reporting

- a. Ensure the integrity of Judo’s financial and regulatory reporting by reviewing the periodic financial and regulatory reporting, the information prepared by management (including in relation to financial information, key accounting policies, taxation and decisions and related party transactions) and the results of the external audit.
- b. Ensure the integrity of Judo’s financial and regulatory reporting controls by reviewing reports from management concerning the controls and processes in place to ensure that the financial statements and regulatory reports derived from the underlying financial and regulatory reporting systems comply with relevant accounting standards and APRA requirements to provide the Board with assurance that the financial statements and regulatory reporting are accurate and compliant.
- c. Review reports from management on significant accounting and reporting issues and understand their impacts on financial reports and regulatory reports.
- d. Monitor the financial solvency of Judo and provide assurance in relation thereto to the Board.

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<sup>1</sup> CPS 510 - paragraph 91

- e. Recommend to the Board for approval, if appropriate, the external reporting/financial statements of the Judo and its subsidiaries (if any).<sup>2</sup>
- f. Review the disclosure statements prepared by management for Judo and recommend to the Board, where appropriate, for approval.
- g. Review reports from management on the processes that are used to reach the opinions provided in the regulatory certifications of the CEO and CFO and provide assurance to the Board in relation thereto.
- h. Ensure Judo maintains policies and procedures for employees to submit, confidentially, information about accounting, internal control, compliance, audit, and other matters about which the employee has concerns and has a process for ensuring employees are aware of these policies and for dealing with matters raised by employees under these policies.<sup>3</sup>

## Internal Audit

- a. Ensure the integrity of Judo's internal audit function by reviewing reports from management on the activities, resources and organisational structure of the internal audit function and provide the Board with assurance that there are no unjustified restrictions or limitations.
- b. Review the engagement for the internal auditor at least annually, including independence<sup>4</sup>.
- c. Review and if deemed satisfactory approve the proposed annual internal audit plan, ensure that it addresses key areas of material risk and financial reporting requirements<sup>5</sup>, and that there is appropriate coordination with the external auditor.
- d. Oversight the completion of the annual internal audit plan.
- e. Recommend to the Board the appointment (including terms of engagement) or removal or retention of the internal auditor.<sup>6</sup>
- f. Review any significant findings and recommendations made by the internal auditor and management's response thereto, to ensure that the recommendations have been acted on appropriately<sup>6</sup>.
- g. Meet separately with the internal auditor to discuss matters which the Committee or the internal auditor believes should be discussed privately and report any significant matters arising to the Board.
- h. Review and provide assurance to the Board in respect of the effectiveness of the internal audit function.

## External Audit

- a. Review the engagement for the external auditor at least annually, including independence<sup>7</sup> and audit partner rotation at minimum every five (5) years<sup>8</sup>.
- b. Review the proposed external audit plan for the coming year and ensure that it addresses key areas of material risk and financial reporting requirements,<sup>9</sup> and that there is appropriate co-ordination with the internal auditor.

Oversight the completion of the annual external audit plan.

<sup>2</sup> CPS 510 - paragraph 78(a), (b), (c)

<sup>3</sup> CPS 510 - paragraph 85

<sup>4</sup> CPS 510 - paragraph 80

<sup>5</sup> CPS 510 - paragraph 82

<sup>6</sup> CPS510 - paragraphs 78(e), 79

<sup>7</sup> CPS 510 - paragraphs 80 and 94

<sup>8</sup> CSP 510 - paragraph 99

<sup>9</sup> CPS 510 - paragraphs 78(e), 79

- c. Recommend to the Board the appointment (including terms of engagement) or removal or retention of the external auditor.<sup>10</sup>
- d. Meet separately with the external auditor at least annually to discuss any matters that the Committee or the auditor believes should be discussed privately and report any significant matters arising to the Board.
- e. Review reports from management and the external auditor concerning any significant findings and recommendations made by the external auditor and management's response thereto,<sup>11</sup> to provide the Board with assurance that the recommendations have been acted on appropriately.
- f. Review the provision of (and the policies in relation to the provision of) all non-audit services by or on behalf of the external auditor during the year to Judo and provide assurance to the Board, for the purposes of the directors' report to be included in the annual report, that those services comply with the regulatory auditor independence requirements and the reasons thereto.

## Informing APRA

- a. Notify APRA on the material matters within its responsibilities and provide any material updates required with the timeframe prescribed from time to time. This includes the appointment and removal of internal auditor and external auditor.
- b. If the external auditor or internal auditor is removed from their position, the reasons for removal must be discussed with APRA as soon as practicable, and no more than 10 business days, after the Committee's endorsement is agreed upon.<sup>12</sup>

# 3. Authority.

- 3.1 The Board authorises the Committee, within the scope of its responsibilities to:
  - a. monitor, advise on and, where applicable, approve all matters falling within its purpose and duties as set out in this Charter or as directed by the Board;
  - b. seek any information it requires to satisfy itself as to the adequacy of the risk management functions from the Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO"), Chief Financial Officer ("CFO"), internal auditor or external auditor. The Committee shall have unfettered access to senior management,<sup>13</sup> any employees or any internal or external parties at any time, to request relevant and additional information or seek explanations as it deems necessary; and
  - c. obtain, at the expense of the Judo, external legal or other independent professional advice or to arrange for the attendance at meetings, at the expense of the Judo, of outside parties with relevant experience and expertise if it considers this necessary.
- 3.2 The Committee does not take action or make decisions on behalf of the Board unless specifically mandated. The Committee is not responsible for the day-to-day management functions or operation of the business. However, the Board may consider advice from the Committee in relation to financial reporting and overall internal control frameworks.
- 3.3 The Committee may delegate its authority in accordance with the Board Delegation Framework provided such delegation is recorded in its minutes.

<sup>10</sup> CPS 510 – paragraphs 85, 95, 96, APS 310, CPS 520 and Judo's Fit and Proper policy.

<sup>11</sup> CPS 510 – paragraphs 73, 84

<sup>12</sup> CPS 510 - paragraph 79

<sup>13</sup> CPS 510 – paragraph 84

## 4. Composition and Membership.

- 4.1 The Committee will comprise at least three (3) non-executive directors, a majority of whom shall be 'independent' directors as determined by resolution of the Board. All members of the Committee will be non-executive directors.
- 4.2 Committee members are to be financially literate and, between them, are to have the accounting and financial expertise and sufficient understanding of the financial services industry to fulfil its responsibilities. At least one member of the Committee must be a chartered accountant, a certified practising accountant or has a recognised form of financial expertise.
- 4.3 The Chair of the Committee will be appointed by resolution of the Board and will be an independent director.
- 4.4 The Chair of the Board may be a member of the Committee however cannot be its Chair.
- 4.5 The membership of the Committee will be reviewed annually by the Board, or as deemed necessary by the Board.
- 4.6 To ensure the flow of relevant information, there shall be some common membership between the Committee and the Board Risk Committee (as determined by the Board).
- 4.7 The Company Secretary will be responsible for keeping membership records.

## 5. Meetings.

- 5.1 The Committee shall meet every quarter or more frequently if so required, having due regard to Judo's financial reporting and audit cycle.
- 5.2 A quorum for a meeting shall consist of not less than half of the Committee members eligible to vote on a matter.
- 5.3 The Chair and the Company Secretary will be responsible for setting the agenda for each meeting subject to input from any Committee member.
- 5.4 The CEO and directors of the Board who are not members of the Committee are entitled to attend Committee meetings and have access to Committee materials.
- 5.5 The Committee may request members of the Management Board to attend part, or all, of any Committee meeting. The CFO (or their delegate, subject to prior approval by the Chair), the internal and external auditors shall attend all relevant sections of the Committee meetings.<sup>14</sup>
- 5.6 Committee meetings shall take place using any form of technology that the Chair deems appropriate.
- 5.7 The Chair may, at their discretion, determine that the Committee's approval authority be delegated to a group comprising not less than two members of the Committee.
- 5.8 The meeting agenda and supporting documentation will be circulated to the Committee members within a reasonable timeframe prior to each meeting.
- 5.9 Should the Chair of the Committee be absent from a meeting, the members of that Committee present will appoint another independent director as Chair for that particular meeting (other than the Chair of the Board).
- 5.10 The Company Secretary will circulate minutes of meetings to members of the Committee and the Board within a reasonable period following each meeting. The draft minutes shall then be tabled at the next Committee meeting for final review, and approval and signing by the Chair.
- 5.11 Copies of the Committee minutes, together with such reports received by the Committee as are deemed appropriate, will be tabled to the Board. The Chair of the Committee will update the Board with a verbal report at the Board meeting following each Committee meeting.

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<sup>14</sup> CPS 510 - paragraphs 84, 87, 88

5.12 The Committee will refer to the Board Risk Committee any matters that have come to the attention of the Committee that are relevant for the Board Risk Committee's consideration.

## 6. Voting and Conflicts of Interest.

6.1 Each member present at a Committee meeting, including the Chair, has one vote.

6.2 In the event that votes are deadlocked, the Chair does not have a casting vote.

6.3 Any Committee member with a real or perceived conflict of interest, may not:

- a. be present at a meeting while the matter is being considered by the Committee; and
- b. vote on the matter being considered by the Committee,

unless the other members of the Committee agree otherwise.

## 7. Committee performance.

7.1 The Board shall undertake a regular review, at least annually, of the Committee's effectiveness and performance as outlined in the Board Assessment Framework. The review shall consider objectives and responsibilities including (without limitation) any matter set out in this Charter.

## 8. Review and publication of Charter.

8.1 The Committee is responsible for reviewing this Charter, and at least annually, and recommending any amendments to the Board. If the amendments to this Charter are not considered material, the Committee may approve the amendments without the need for the Board approval.

8.2 The Charter is available on Judo's website.