

Board Audit Committee Charter

Adopted: This Charter was adopted by the Board on 22 February 2022.

1 Purpose of the Committee

The Board of Bank First has established an Audit Committee (the Committee) as part of its governance framework. The Committee is not a policy making body and has no decision making power apart from the power under the Board Delegation of Authority Policy relating to *Approval – Non Material Amendments to Board Policies*, where the Committee can approve non-material amendments to policies that come before it. Material amendments to policies must be submitted to the Board for approval.

The delegation of various responsibilities to the Committee does not relieve the Board of its role and responsibilities.

The purpose of the Committee is to assist the Board in the discharge of its responsibilities by having oversight of the:

- a) Integrity of the financial statements and financial reporting systems of Victoria Teachers Limited and any related bodies corporate (collectively referred to in this Charter as Bank First);
- b) Statutory external audit engagements, including the external auditor's performance, independence and fees;
- c) Three Year Rolling Internal Audit Program, summary of audit findings, and performance of the internal audit function;
- d) Compliance with and integrity of APRA regulatory reporting; and
- e) Compliance and effectiveness of the Risk Management Framework

The Committee will primarily fulfil these responsibilities by carrying out the activities outlined in the Responsibilities and Duties section of this Charter.

The Committee also assists the Board in:

- a) improving the credibility and objectivity of the accounting processes, including financial reporting;
- b) providing a forum for communication between the Board of Directors and the internal and external auditors;
- c) providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
- d) ensuring¹ Bank First maintains an ethical culture;
- e) providing an objective non-executive review of the effectiveness of Bank First's financial reporting and risk management framework; and
- f) providing oversight of the compliance assurance reports and operational compliance reviews.

2 Responsibilities

2.1 Financial & APRA Statutory Reporting

The Committee will promote an environment that is consistent with best practice financial reporting and appropriately reflects the financial status of Bank First. In particular, the Committee will:

- a) Review all published financial statements that require signing by directors, prior to approval by the Board. The review of financial statements should include a discussion with the external auditor of accounting issues, accounting policies adopted and the proposed audit report. Subject always to ultimate Board ratification of the published financial statements, the Committee will have authority to approve accounting issues raised, accounting policies disclosed and the audit report;
- b) Review the annual report, directors' report and any report of management which is required by law to accompany any published financial statements (to the extent that such a report discusses the financial position or operating results) before approval by the Board;
- c) Review and assess the appropriateness of accounting policies and principles. The Committee should discuss with the external auditor its view of the quality and acceptability of the accounting principles;
- d) Review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information;
- e) Review proposed professional and regulatory pronouncements regarding applicable accounting policies and financial reporting and assess their impact;
- f) Oversight of the Australian Prudential Regulation Authority's (APRA) reporting requirements including requirements under the Financial Claims Scheme and APRA Prudential Standard APS 330 Public Disclosures;
- g) Discuss with management, the Head of Audit and the external auditors any major issues as to the adequacy and effectiveness of Bank First's internal controls over financial information, reporting and disclosure as well as any special steps adopted in light of any identified material control deficiencies;
- h) Assess management explanations for unusual transactions or significant variances from prior year results or the relevant annual budget in published financial statements;

1. Using the definition under APRA Standard APS 001 'Ensure' when used in relation to a responsibility of the Board, means to take all reasonable steps and make all reasonable enquiries as are appropriate for a Board so that the Board can determine, to the best of its knowledge, that the stated matter has been properly addressed.

- i) Discuss with the external auditors major financial risk exposures and the steps management has taken to monitor and control such exposures including risk assessments and risk management policies;
 - j) Discuss with management and the external auditors any correspondence with regulators or government agencies and any published reports which raise material issues or could impact on matters regarding the financial statements or accounting policies;
 - k) Discuss any legal matters that may have a material impact on, or require disclosure in, the financial statements;
 - l) Receive and consider reports from the Chair of the Board Risk Committee on relevant risk matters that should come to the attention of the Committee; and
 - m) Recommend to the Board whether the Directors' Declaration in relation to the annual financial and non-financial statements can be made.
- i) Review with the Appointed Auditors, reports regarding significant findings in the conduct of their audits and the adequacy of management's response; and regularly review the findings of audits to ensure that issues are being managed and rectified in an appropriate and timely manner;
 - j) Review the representation letters signed by management and ensure that the information provided is complete and appropriate;
 - k) Provide prior endorsement for the appointment or removal of the Appointed Auditor. If the Appointed 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; and
 - l) Advise the Board on the rotation of the Appointed Auditor.

The external auditors will have access to all data, information, reports and staff of Bank First that is reasonable and necessary to fulfil their role and responsibilities. This includes access to Bank First Board, all Board Committees and internal auditors as required.

2.2 External Audit

The Committee will review and assess key areas relating to the external audit of Bank First. In particular the Committee will:

- a) Make recommendations to the Board on the appointment, reappointment, replacement or removal of the Appointed Auditor²;
- b) Review and agree with the Appointed Auditor the terms of engagement for external audits;
- c) Confirm and assure the independence of the Appointed Auditor by making an assessment of whether the auditor meets the Audit Independence tests set out in APES 110 Code of Ethics for Professional Accountants³, as well as the additional auditor independence requirements set out in APRA Prudential Standard CPS510 which includes obtaining an annual declaration from the Appointed Auditor;
- d) Review the scope of the external audits with the Appointed Auditor including identified risk areas and approve external audit plans, ensuring that together with the Internal Audit Program the plans cover all material risks and financial reporting requirements of Bank First;
- e) Review the Audit and Related Matters Policy and ensure that in respect of the provision of non-audit services by the external auditors, that the provision of non-audit services does not impair, or appear to impair, the Appointed Auditor's judgment or independence;
- f) Ensure external audits are coordinated and discussed with the Head of Internal Audit;
- g) Provide the external auditors with unfettered access to the Committee to ensure that they can freely raise matters, such as audit results, external audit findings and management and control environment issues with the Committee without reference to other directors or Executive Management of Bank First;
- h) Undertake an annual assessment of the fitness and propriety of the Appointed Auditor according to Bank First's Responsible Persons Fit & Proper Policy;

2.3 Internal Audit

The Committee will review and assess key areas relating to the internal audit function of the Bank and its controlled entities.

In particular the Committee will:

- a) In consultation with the Chief Executive Officer, recommend to Board the appointment and, if relevant, dismissal of the Head of Audit, including any co-sourced arrangements appointing external third parties to fulfill internal audit functions on behalf of Bank First. The Committee is required to provide prior endorsement for the appointment or removal of the Head of Audit.
- If the Head of Audit 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.
- b) Periodically, meet with the Head of Internal Audit without management being present.
 - c) Review and approve the annual Internal Audit Program and resources ensuring that together with the Appointed Auditor's Audit Plan the program covers all material risks and financial reporting requirements of Bank First.
 - d) Monitor the progress of the plan, consider reports of reviews and monitor management's response, and regularly review the findings of audits, and ensure that issues are being recorded, managed and rectified in an appropriate and timely manner.
 - e) Review the Internal Audit department structure, including co-sourced arrangements, its independence and access to senior management, the Committee and the Board.
 - f) Review the effectiveness of the Internal Audit function and that it has appropriate standing within Bank First and review any external assessments of Internal Audit.

² The Appointed Auditor is the nominated lead representative of the External Audit firm engaged by the Bank, who has been assessed as fit and proper under the Bank's Responsible Persons Fit & Proper Policy.

³ APES 110 Code of Ethics for Professional Accountants was issued by the Accounting Professional and Ethical Standards Board effective January 2020.

- g) Communicate the Audit Committee's expectations to the Head of Audit.
- h) Ensure that internal audit and external audit programs are appropriately coordinated to achieve maximum effectiveness and avoid duplication as much as possible.

Bank First's internal auditors are authorised to have full, free and unrestricted access to all premises, assets, personnel, records, and other documentation and information, except where the information is considered highly commercially sensitive by the Chief Executive Officer. In the event that an internal auditor is concerned over access restrictions, the Head of Audit should discuss the issue directly with the Chair of the Audit Committee and / or the Chair of The Board.

2.4 Other Responsibilities

The Committee will:

- a) Oversee and monitor tax liabilities including reviewing the tax report provided by Bank First's external tax advisors;
- b) Receive and review compliance assurance reports as required by regulation (including other relevant reports on Complaints and Dispute register, Breach Register, compliance attestations, and compliance reviews);
- c) Ensure members of the Committee are available to meet with APRA on request;
- d) Review any litigation, claim or other contingency which could have a material effect upon the financial position or operating results of Bank First; and
- e) Ensure that compliance with, and effectiveness of, the risk management framework is subject to review by either an internal or external independent party at least annually and that the appropriateness, effectiveness and adequacy of the institution's risk management framework is subject to a comprehensive independent review at least every three years with the results of these reviews reported to the Committee.

3 Committee Composition

The Committee is appointed by the Board and is comprised of at least three directors one of whom will be the Chair of the Board Risk Committee. If required, appropriately qualified external members may be appointed. Other directors may attend the Audit Committee meetings at the discretion of the Board or the Committee.

The Chair of the Committee is a director other than the Chair of the Board or the Chair of the Board Risk Committee.

All Committee members, including the Chair, shall be Non-executive independent Directors and free from any conflicts of interest that, in the opinion of the Board, would materially interfere with the exercise of their independent judgment as a member of the Committee.

All members of the Committee shall have a working familiarity with the basic financial requirements of Bank First, financial report interpretation and accounting practices. At least two members of the Committee shall have audit committee experience and two members shall hold relevant finance qualifications and have financial management experience.

New Committee members will receive an induction briefing from the Chair of the Committee.

4 Authority & Reporting

The Appointed Auditor reports to the Committee and the Board of Directors.

The Committee has authority to investigate any activity within its terms of reference or any matters specifically requested by the Committee or the Board.

The Committee has unrestricted access to all records, and free and unfettered access to management, employees, the Head of Audit, and the Appointed Auditor at all times on matters relating to the role of the Committee, and vice versa. The Committee, subject to consultation with the Board may obtain external legal or other independent professional advice as necessary to assist the Committee.

At each meeting, the Committee will consider whether any failures of internal control or compliance matters that are brought to the Committee's attention are significant and should be immediately reported to the Board.

5 Meetings

The Committee will meet at least four times per year with additional meetings held as the work of the Committee demands.

A quorum will be a majority of members. Should the Committee Chair be absent for all or part of the meeting a designated member of the Committee will deputise for the Chair. Meetings may be held face to face or through any technological means that allows members to fully participate.

Meeting materials will include relevant supporting papers as appropriate.

The Committee Chair will call a meeting of the Committee when requested to do so by any member of the Committee, the Appointed Auditor, Head of Audit or by the Chair of the Board.

The Committee Chair shall invite the CEO, members of Management, including the Head of Audit, and representatives of the external audit firm or other external advisors to meetings of the Committee. The Committee may also meet with the CEO, the Head of Audit and the Appointed Auditor in separate executive sessions to discuss any matters in camera.

The Appointed Auditor is invited to attend all meetings of the Committee and receives all meeting documentation.

Minutes of Committee meetings are tabled at a following Board Meeting for receipt, and at the following Committee meeting for adoption.

6 Audit Committee Performance and Review

The Audit Committee will review its performance as a self-assessment against this Charter on an annual basis and will be coordinated by the Chair of the Committee. In addition the Committee may be asked to complete an annual Board Committee performance review survey developed by the GCRA Committee. The assessments may seek input from the Board, CEO, and Head of Audit and / or the Appointed Auditor.

The on-going Professional Development needs of Committee members will be reviewed by the Chair of the Committee in consultation with the Chair of the Board.

A Committee meeting planner outlining the meeting agenda items to be considered by the Committee over a full year is used as a means to ensure fulfillment of the Committee's tasks and responsibilities. The meeting planner is maintained and regularly reviewed against the Board Plan and the Board Risk Committee Plan to ensure agenda items are dealt with by the appropriate governance body.

7 Reporting Lines to / from the Committee

For the purpose of supporting the independence of their functions, the Appointed Auditor and the Head of Internal Audit have direct line of functional reporting to the Committee. The Head of Audit also has a direct operational reporting line to the CEO.

The Committee is available to meet with representatives of APRA on request.

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.

8 Updating this Charter

The Charter is to be reviewed annually by the Committee to ensure it remains consistent with relevant corporate governance standards and practice. Changes to the Charter are recommended to the GCRA Committee and approved by the Board.

The Charter will be made available to Members on the website or upon request.

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