

AUDIT COMMITTEE CHARTER¹

Objectives

1. The objectives of the Qantas Audit Committee are to assist the Board in fulfilling its corporate governance responsibilities in regard to financial reporting, audit and risk management, including:
 - a. the integrity of the Qantas Group's financial reporting;
 - b. compliance with legal and regulatory obligations;
 - c. the effectiveness of the Qantas Group's enterprise-wide risk management and internal control framework; and
 - d. oversight of the independence of the external and internal auditors.
2. In particular, the Committee is to undertake the functions of the audit committee set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (ASX Principles).

Membership

3. The Committee is appointed by the Board in accordance with Clause 6.20 of the Qantas Constitution.
4. The Committee is to consist of:
 - a. only Non-Executive Directors²;
 - b. at least three members²;
 - c. a majority of independent Non-Executive Directors³;
 - d. members who are all financially literate (that is, are able to read and understand financial statements)⁴; and
 - e. at least one member who has financial expertise (that is, is a qualified accountant or other financial professional with financial and accounting experience)⁴.
5. At least one member of the Committee should also be a member of the Safety, Health, Environment and Security Committee (CHESS).
6. The Chairman of the Committee is to be an independent Non-Executive Director and is to be appointed by the Board (but is not to be the Chairman of the Board)².
7. The Company Secretary is to attend all Committee Meetings to ensure minutes are taken of the Meeting⁵.

¹ ASX Principles, Recommendation 4.3

² ASX Principles, Recommendation 4.2

³ ASX Principles, Recommendation 4.2. "Independence" is based on Recommendation 2.1, Commentary, Box 2.1

⁴ ASX Principles, Recommendation 4.2, Commentary

⁵ ASX Principles, Recommendation 4.3, Commentary

Meetings

8. The Committee should meet at least four times a year⁵. If required, additional Meetings may be requested through the Committee Chairman by any member, the Company Secretary, internal auditor or the relevant partner from the external auditor.
9. As required by the Qantas Constitution, a quorum for a Committee Meeting is two members.
10. Directors who are not Committee members may attend Meetings.
11. Appropriate Qantas Management, the internal auditor and representatives of the external auditor are to attend Committee Meetings, at the invitation of the Committee Chairman, to provide reports and periodic presentations to the Committee.
12. At each Meeting, the Committee will⁵:
 - a. meet with Qantas Management (without the external auditor) to discuss any issues relating to the external audit; and
 - b. separately meet with the internal and external auditors (without Management) to discuss any relevant issues and seek assurance that no Management restrictions are being placed upon either the internal or external auditors.
13. The Committee will report on its Meetings to the Board as required by the ASX Principles⁵.
14. Recommendations of the Committee are to be referred to the Board for approval, with the exception of:
 - a. rotation of partners of the external auditor;
 - b. approval of the audit plans and engagement letters of the external auditor, including the payment of annual fees and variations to approved fees of greater than 10%;
 - c. appointment or replacement of the internal auditor; and
 - d. approval of the internal auditor's charter, audit plans, work program and quality control procedures.

Access to Information, Independent Advice and Continuing Development

15. The Committee will maintain free and open communication with Qantas Management and the external and internal auditors. The Committee has the authority to seek any information it requires from any employee of the Qantas Group and all employees must comply with such requests^{5,6}.
16. The Committee may take such independent legal, financial or other advice as it considers necessary^{5,7}.
17. The Committee should understand the Qantas Group structure and operations and key developments relevant to the Committee and may receive periodic presentations from subject matter experts to assist in achieving such an understanding⁶.

⁶ ASX Principles, Recommendation 2.5, Commentary

⁷ ASX Principles, Recommendation 2.1, Commentary

Responsibilities and Duties

18. The Committee is responsible for the review and monitoring of financial reporting, audit and risk management strategies, systems, policies and processes implemented, and reported on, by Qantas Management.
19. Members of the Committee generally do not represent themselves as experts in the fields of accounting, auditing or risk management. As such, it is not the responsibility of the Committee directly to conduct accounting, audit or risk reviews.
20. Committee members are entitled to rely on Qantas Management on matters within their responsibility and on the expertise of external professionals. Committee members may rely on the accuracy of information provided by such persons, so long as the members are not aware of any reasonable grounds upon which such reliance or assumption may not be appropriate.
21. Management is responsible for:
 - a. the preparation, presentation and integrity of the Qantas Group's financial information and other information provided to the Committee;
 - b. implementing, managing and maintaining appropriate enterprise-wide accounting, financial reporting and risk management strategies, systems, policies and processes, reporting protocols and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations; and
 - c. maintaining sufficient knowledge, skills and expertise within the Qantas finance function.
22. The external auditor is responsible for planning and carrying out each audit and review in accordance with applicable auditing standards. The external auditor is accountable to shareholders through the Committee.
23. The internal auditor is responsible for providing independent, objective assurance and consulting services on the Qantas Group's system of risk management, internal compliance, control and governance.

Review of Financial Information

24. The Committee will review the draft half yearly and annual financial statements of Qantas and the Qantas Group prior to consideration by the Board, to assess whether they represent a true and fair view of Qantas and the entities consolidated for reporting purposes, financial position and performance. The Committee should focus on⁸:
 - a. compliance with accounting standards (including an assessment of the appropriateness of Management's selection of accounting policies and disclosures);
 - b. significant or unusual transactions and accounting estimates;
 - c. significant changes in accounting policies and practices;
 - d. underlying earnings and major judgmental areas;
 - e. significant audit adjustments and unadjusted audit differences; and
 - f. the form of the proposed opinion to be issued by the external auditor.
25. The Committee will review the Declarations signed by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act and Recommendations 7.2 and 7.3 of the ASX Principles.

⁸ ASX Principles, Recommendation 4.3, Commentary

Legal and Regulatory Compliance

26. Without limiting its scope, the Committee will, in conjunction with the Board, CHES and Qantas Management, monitor the Qantas Group's compliance with all relevant:
 - a. statutory and regulatory obligations⁹, including the ASX's continuous disclosure obligations¹⁰; and
 - b. internal policies and procedures.
27. The Committee will consider the effects on the Qantas Group of any new or proposed accounting or tax practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements.

Enterprise-wide Risk Management and Control Framework

28. The Committee will, after taking into account the work of the Board and CHES, review Qantas Management's establishment and operation of an enterprise-wide risk management system which is designed to identify, assess, monitor and manage material business risk throughout the Qantas Group, in relation to audit, accounting, tax and financial reporting risk and obligations¹¹.
29. The Committee will consider the adequacy and effectiveness of the Qantas Group's internal control framework by reviewing reports from Management and the internal and external auditors, and by monitoring Management responses and actions to correct any noted deficiencies.
30. In assisting the Board, the Committee is to confirm there are adequate procedures for the receipt, retention and treatment of complaints (including "whistleblowing" complaints) received by Qantas, including procedures relating to risk management, legal and regulatory compliance, accounting, internal controls or auditing. This is to include a process for confidential anonymous complaints by employees or other stakeholders¹².

External Auditor

31. The Committee will:
 - a. recommend to the Board the appointment, reappointment or replacement of the external auditor;
 - b. approve rotation of partners of the external auditor;
 - c. review and approve the audit plans and engagement letters of the external auditor, including payment of annual fees and variations to approved fees of greater than 10%;
 - d. review the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
 - e. consider the overall effectiveness and independence of the external auditor; and
 - f. resolve any disagreements between Management and the external auditor regarding financial reporting.
32. The Committee will monitor and note compliance by the external auditor with the independence requirements imposed by the Corporations Act and will receive and review the Auditor's Independence Declaration to be provided to the Directors of Qantas by the external auditor pursuant to section 307C of the Corporations Act.

⁹ ASX Principles, Recommendation 7.1, Commentary

¹⁰ ASX Principles, Recommendation 5.1, Commentary

¹¹ ASX Principles, Recommendations 7.1 and 7.2, including Commentary

¹² Corporations Act Part 9.4AAA

33. The Committee will implement a process for approval of all audit and non-audit services provided by the external auditor (who are not to be appointed to undertake any non-audit assurance services that may impair the external auditor's judgment or independence in respect of the Qantas Group).
34. On an annual basis, the Committee will review a report from the external auditor:
 - a. confirming that the audit firm's internal quality control and conflict procedures are in place and operating; and
 - b. describing any material issues raised by the most recent quality control, or peer review, of the audit firm and any steps taken to deal with any such issues.
35. The Committee and Management will agree the hiring policies for employees or former employees of the external auditor to comply with the Corporations Act and to prevent the impairment or perceived impairment of the external auditor's judgment to independence.
36. Prior to the annual approval of the Directors' Report, the Committee will pass a resolution to provide the Board with the written advice required by section 300(11D)(a) of the Corporations Act relating to:
 - a. whether any non-audit services provided during the year by the external auditor are compatible with the general standard of independence of auditor imposed by the Corporations Act; and
 - b. the reasons why the Board should be satisfied that any non-audit services provided during the year by the external auditor did not compromise the auditor independence requirements of the Corporations Act.

Internal Auditor

37. The Committee will:
 - a. approve the appointment or replacement of the internal auditor;
 - b. review and approve the internal auditor's charter, audit plans, work program and quality control procedures and monitor the progress of the work program;
 - c. confirm that the internal auditor is independent;
 - d. confirm that the internal auditor has all necessary access to Management and the right to seek information and explanations;
 - e. maintain a separate reporting line from the internal auditor to the Committee, to permit full and frank exchange of information; and
 - f. consider the overall effectiveness and independence of the internal auditor.

Other

38. The Committee shall examine any other matters referred to it by the Board.

Committee Performance

39. To determine whether it is functioning effectively, once each year the Committee shall:
 - a. review this Charter; and
 - b. perform an evaluation of its performance.

Charter History

24 January 1979	Audit Committee established.
26 November 1980	Terms of Reference approved.
5 December 1990	Revised Terms of Reference approved.
12 August 1993	Revised Terms of Reference approved.
August 1997	Management titles updated.
15 July 1998	Revised Terms of Reference approved.
11 February 1999	Management titles updated.
21 February 2001	Revised Terms of Reference approved – renamed “Audit, Risk & Compliance Committee”.
1 September 2003	Revised Charter approved – renamed “Audit Committee”.
30 August 2004	Revised Charter approved.
8 December 2004	Revised Charter approved – references to British Airways removed.
16 April 2008	Revised Charter approved – reflects revised ASX Principles.
11 August 2010	Periodic Review of Charter.
23 August 2011	Revised Charter approved.