

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:
 - a. the reliability and integrity of information for inclusion in Qantas' financial statements;
 - b. enterprise-wide risk management (other than the risk management issues dealt with by the Board or delegated to the Safety, Environment & Security Committee (SESC));
 - c. compliance with legal and regulatory obligations (other than the compliance obligations monitored by the SESC), including audit, accounting, tax and financial reporting obligations;
 - d. the integrity of the Qantas Group's internal control framework; and
 - e. safeguarding 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 (ASX Principles).
3. It is the responsibility of the Committee, the external auditor, the internal auditor and Qantas Management to maintain free and open communication.

Membership

4. The Committee is appointed by the Board in accordance with Clause 6.20 of the Qantas Constitution.
5. 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 (ie are able to read and understand financial statements)⁴; and
 - e. at least one member who has financial expertise (ie is a qualified accountant or other financial professional with financial and accounting experience)⁴.
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. Directors' fees must be the sole source of compensation from the Qantas Group for all Committee members.
8. 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

9. To maintain effective communication between the Board's Committees responsible for enterprise-wide risk management and compliance, at least one member of the Committee should also be a member of the SESC.
10. The Chief Executive Officer and Chief Financial Officer may attend Meetings in an ex-officio capacity. Other Directors who are not Committee members may attend Meetings.
11. The Chief Risk Officer, Deputy Chief Financial Officer, Group General Manager Internal Audit, representatives of the external auditor and other relevant Qantas Management are to attend Committee Meetings, at the invitation of the Committee Chairman.

Meetings

12. The Committee should meet at least four times a year⁵. Additional Meetings may be requested through the Committee Chairman by any member, the Company Secretary, Group General Manager Internal Audit or the relevant partner from the external auditor.
13. As required by the Qantas Constitution, a quorum for a Committee Meeting is two members.
14. At each Meeting, the Committee will⁵:
 - a. meet with Qantas Management (without the external auditor) to ensure there are no issues relating to the external audit; and
 - b. meet with the internal and external auditors (without Management) to allow any sensitive issues to be discussed and to seek assurance that no Management restrictions are being placed upon either the internal or external auditors.
15. Recommendations of the Committee are to be referred to the Board for approval, with the exception of:
 - a. approval of the audit plans of the external auditor;
 - b. appointment or replacement of the Group General Manager Internal Audit; and
 - c. approval of the internal auditor's charter, audit plans, work program and quality control procedures.

Access to Information and Independent Advice

16. 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}.
17. Qantas Management has prepared and will keep current an Audit Committee Handbook containing information relevant to the operation of the Committee.
18. The Committee may take such independent legal, financial or other advice as it considers necessary^{5, 7}.

⁵ ASX Principles, Recommendation 4.3, Commentary

⁶ ASX Principles, Recommendation 2.5, Commentary

⁷ ASX Principles, Recommendation 2.1, Commentary

Duties and Responsibilities

Function

19. The function of the Committee is oversight. It is recognised that the members of the Committee are not full time employees of the Qantas Group and 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 personally to conduct accounting, audit or risk reviews.
20. Committee members are entitled to rely on Qantas Management on matters within their responsibility and on external professionals on matters within their areas of expertise. Committee members may assume 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 statements;
 - b. implementing, managing and maintaining appropriate enterprise-wide accounting, financial reporting and risk management systems, policies and procedures, reporting protocols and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations; and
 - c. the preparation, presentation and integrity of the information provided to the Committee.
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.

Understanding the Business

23. The Committee should understand the Qantas Group's structure and operations in order to confirm with Qantas Management:
 - a. the reliability and integrity of financial information, the integrity of Qantas' internal control structure and compliance with audit, accounting and financial reporting obligations; and
 - b. that the significant enterprise-wide risks faced by the Qantas Group have been identified and appropriate mitigation plans have been implemented.

Enterprise-wide Risk Management

24. The Committee will, after taking into account the work of the Board and the SESC, confirm that Qantas Management has established and operates an enterprise-wide risk management system which is designed to identify, assess, monitor and manage risk throughout the Qantas Group, notably in relation to audit, accounting, tax and financial reporting obligations⁸.
25. Without limiting its scope, the Committee will⁷:
 - a. review the risk profile and Management's assessment of risk tolerance across the Qantas Group;

⁸ ASX Principles, Recommendations 7.1 and 7.2, including Commentary

- b. understand the process developed by Management to identify material risks, evaluate their potential impact and implement appropriate strategies to manage such risks;
- c. receive reports from Management concerning the Qantas Group's risk management strategies, including significant risk events, and new and emerging risks;
- d. where appropriate, recommend principles, policies and processes for the management of risk for approval by the Board; and
- e. liaise with the SESC and Management to confirm that contingency plans have been developed and implemented for applicable medium, high and extreme risks throughout the Qantas Group.

Review of Financial Information

26. 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 ensure they represent a true and fair view of Qantas' financial position and performance. The Committee should focus on⁹:
- 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. major judgmental areas; and
 - e. significant audit adjustments.
27. 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.

Legal and Regulatory Compliance

28. Without limiting its scope, the Committee will, in conjunction with the Board, SESC and Management, monitor the Qantas Group's compliance with:
- a. all relevant statutory and regulatory obligations¹⁰, including the ASX's continuous disclosure obligations¹¹; and
 - b. all internal Policies and Procedures (including the Qantas Code of Conduct & Ethics).
29. 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.

Evaluation of Policies and Controls

30. The Committee will consider the adequacy and effectiveness of the Qantas administrative, operating and accounting policies through communication with Management, the internal auditor and the external auditor.

⁹ ASX Principles, Recommendation 4.3, Commentary

¹⁰ ASX Principles, Recommendation 7.1, Commentary

¹¹ ASX Principles, Recommendation 5.1, Commentary

31. The Committee will consider the adequacy and effectiveness of the internal control framework by reviewing reports from Management, the internal auditor and the external auditor, and monitor Management responses and actions to correct any noted deficiencies.

Insurance

32. Without limiting its scope, the Committee will:
 - a. receive an annual Paper from Management in relation to Qantas' insurance program which details all material facts about the program including: the level of cover; premium; principal terms; and exclusions;
 - b. review and recommend to the Board any material new insurances, proposed cancellations or variations of existing policies;
 - c. be advised of any Qantas or industry developments (including incidents or claims) which may materially affect the Qantas insurance program; and
 - d. be advised of each renewal (including details of the principal terms) of material insurances within the Qantas insurance program.

External Auditor

33. The Committee will:
 - a. recommend to the Board the appointment, reappointment or replacement of the external auditor and the payment of annual fees and variations to approved fees of greater than 10% (noting that an effective, comprehensive and complete audit can be conducted for the agreed compensation);
 - b. review and approve the audit plans of the external auditor;
 - c. review the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
 - d. consider the overall effectiveness and independence of the external auditor; and
 - e. resolve any disagreements between Management and the external auditor regarding financial reporting.
34. The Committee will monitor and note compliance by the external auditor of 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.
35. The Committee will implement a process for the pre-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).
36. 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;
 - 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; and
 - c. describing all relationships between the external auditor and Qantas or Qantas Management (to assess the auditor's independence).

37. The Committee will agree with Management 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.
38. 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 is compatible with the general standard of independence of auditor imposed by the 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 Act.

Internal Auditor

39. The Committee will:
 - a. approve the appointment or replacement of the Group General Manager Internal Audit;
 - b. review and approve the internal auditor's charter, audit plans, work program and quality control procedures;
 - c. confirm that the internal and external auditors are 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.

Complaint Procedure

40. In assisting the Board, the Committee is to confirm there are adequate procedures for the receipt, retention and treatment of complaints (including "whistleblowing" complaints under the Protected Disclosures Policy) received by Qantas, including in relation 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 stakeholders¹⁴.

Other

41. In addition, the Committee shall examine any other matters referred to it by the Board.

Reporting

42. The Committee will report on its Meetings to the Board⁵. In addition, the Committee will prepare an annual report to the Board. The Report will address all significant matters relevant to the Committee's objectives, duties and responsibilities, including⁵:
 - a. assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholders' needs;
 - b. assessment of the management processes supporting external reporting;
 - c. the results of its review of the Qantas Group's system of enterprise-wide risk management and internal control;

- d. assessment of the performance and independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- e. assessment of the performance and objectivity of the internal auditor; and
- f. a summary of complaints reported on by Qantas Management during the period.

Committee Performance

43. To determine whether it is functioning effectively, once each year the Committee shall:
- a. review this Charter;
 - b. review the Audit Committee Handbook; and
 - c. 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.