

Charter of Audit and Risk Management Committee

1. Formation and objectives

1.1 Formation

The Board has resolved to establish an Audit and Risk Management Committee (**ARMC**) and has delegated to it the responsibilities set out in this Charter.

1.2 Primary objectives

The primary objectives of the ARMC are to assist the Directors of the Company to fulfil their obligations in regard to:

- (a) integrity and quality of interim and annual financial reporting and disclosures;
- (b) identification and management of key, financial, and regulatory risks (other than the management of risk associated with research and development projects which is undertaken by the Innovation and Development Committee);
- (c) compliance with relevant laws, regulations, standards, and codes; and
- (d) adequacy of the internal control framework.

This includes oversight by the ARMC of risk management processes, and the conduct of external and internal audits.

2. Membership

2.1 Appointment

The members of the ARMC will be determined by the Board.

2.2 Number

The Board will appoint at least three, and not more than five, non-executive Directors as members of the ARMC.

2.3 Independence

A majority of members of the ARMC will be independent (as determined by the Board).

2.4 Chair

The Board will appoint one member of ARMC to be Chair of ARMC. The Chair must be an independent director, who is not also Chair of the Board. In the absence of the appointed Chair, the remaining members present will elect one of their number, who must also be an independent director and not Chair of the Board, to chair the meeting.

2.5 Qualifications

All members of the ARMC should have sufficient experience and training to be able to consider and contribute to the matters for which the ARMC is responsible. At least one member should have financial expertise.

2.6 Attendance by Board Chair and other Directors

The Chair of the Board and other directors who are not members of the ARMC have a standing invitation to attend each ARMC meeting.

3. Meetings

3.1 Frequency

The ARMC will meet as often as it considers necessary to discharge its responsibilities. However, it is intended that the ARMC will meet at least four regular meetings each year. The meetings will be set in order to allow adequate time for preparation of substantive reporting to the Board.

3.2 Calling of meetings

The Chair of the ARMC will call a meeting if formally requested to do so by any member of the ARMC, the chief executive officer, or the internal or external auditor. Meetings will be convened by the ARMC secretary.

3.3 Annual plan

An annual plan of the ARMC's meetings and activities will be adopted after approval by the ARMC.

3.4 Attendance by executives, auditors etc

Any employee or any internal or external auditor or other external professional advisor, may attend the ARMC's meetings if invited by the ARMC. However, the ARMC should hold regular meetings with both the internal and external auditors without any management present.

3.5 Distribution of the ARMC's papers

The ARMC's papers will be distributed to all meeting invitees at least five days prior to each meeting.

3.6 Quorum

The quorum for a meeting of the ARMC will be two members of the ARMC.

3.7 Secretary and Minutes

The ARMC will appoint a secretary for the ARMC who will prepare minutes of all ARMC Meetings, including the names of those present. A copy of the minutes as approved by the ARMC Chair will be distributed to all members of the Board.

3.8 Reports to Board

The Chair of ARMC will report the findings and recommendations of the ARMC to the Board after each ARMC meeting.

3.9 Resolutions by Circular

In cases where circumstances make it impractical to convene and hold a meeting, the ARMC may pass resolutions by each member signing a circular resolution. The resolution may consist of several documents in the same form each signed by one or more of the members. A facsimile transmission or other document produced by mechanical or electronic means under the name of a member with the member's authority is considered a document in writing signed by the member and is deemed signed when received in legible form.

4. Responsibilities

4.1 Oversight of systems of risk management, compliance and control

The ARMC will oversee and review the Company's financial and risk management compliance and internal control framework. Its responsibilities in this capacity include:

- (a) overseeing the creation, implementation and maintenance of the risk management system and internal control framework, including information systems;
- (b) reviewing the effectiveness of the Company's implementation of its risk management system and internal controls on an ongoing basis;
- (c) seeking to reach a common understanding with management and the auditors about the risk management process, key, financial and regulatory risks, and related controls. In doing so the ARMC will:
 - (i) focus on the 'vital few' key risks considered to be currently, or in the future, more significant or more likely to occur; and
 - (ii) receive and consider reports from the CSL Global Risk Management Team and the CSL Operational Risk Management Team;
- (d) developing an understanding of the overall business environment, relevant laws, regulations and codes of particular significance to the Company, and the Company programs in place to provide reasonable assurance of compliance;
- (e) reviewing reports on insurance coverage and claims trends; and reviewing the Company's global health, safety and environmental performance.

It is noted that the above responsibilities in so far as they relate to the Company's research and development projects are undertaken by the Innovation and Development Committee.

4.2 Oversight of financial reporting

The ARMC will oversee the Company's system of financial reporting with a view to safeguarding its integrity. Its responsibilities in this capacity include:

- (a) reviewing all annual and interim financial reports distributed externally with particular emphasis on the adequacy, accuracy and completeness of information and key disclosures, changes from prior periods, and important judgment questions impacting on the overall integrity of the information;
- (b) recommending that the Board approve the release of financial report and disclosures when satisfied with propriety and accuracy of the financial reports; and
- (c) reviewing all significant accounting policy changes and, where appropriate, recommending to the Board that the changes be adopted by the Company.

4.3 Oversight of internal audit function

The ARMC will monitor the activities and effectiveness of the internal audit function. Its responsibilities in this capacity include:

- (a) approving the roles and responsibilities of the internal audit function, and relating it to the ARMC's expectations;
- (b) approving the annual internal audit objectives and risk based plan/work priorities;
- (c) appraising the quality and objectivity of internal audit work; and
- (d) reviewing reports from the internal auditor on major issues arising from the internal audit program and reporting to the Board on those issues as appropriate.

4.4 Oversight of external audit function

The ARMC will monitor the activities and performance of the external auditor. Its responsibilities in this capacity include:

- (a) establishing guidelines for the selection and appointment of the external auditor and the rotation of the principal audit partner;
- (b) making recommendations to the Board in relation to the appointment and removal of the external auditor, and overseeing the rotation of the principal external audit partner;
- (c) reviewing external auditors' assessment of financial statement materiality;
- (d) inquiring about the causes of any significant year-end adjustments;
- (e) appraising the quality of audit work; and
- (f) reviewing the annual accounts with the external auditors and reporting to the Board on those accounts, and any issues arising out of those accounts, as appropriate.

4.5 Other internal and external audit issues

The ARMC will take all reasonable steps to ensure:

- (a) adequate audit coverage is achieved between internal and external audit with no significant gaps, or unnecessary duplication;

- (b) that no management restrictions or limitations have been placed on internal or external auditors; and
- (c) the objectivity and independence of internal and external audit is preserved.

4.6 Other responsibilities

The ARMC will:

- (a) review internal and external audit findings to ensure that any reported major deficiencies or weaknesses in controls have been identified, and appropriate and timely corrective action is taken by management;
- (b) evaluate exposure to fraud, including reviewing reports from management on any major defalcations, frauds, thefts, or losses, and the action taken to prevent any recurrence;
- (c) discuss with management and the external auditor any correspondence with regulatory or governmental bodies and any published records which raise material issues regarding the Company's financial statements; and
- (d) also examine any other issues referred to it by the Board.

4.7 Reporting to the Board

The ARMC will regularly report to the Board. These reports will contain all matters relevant to the ARMC's responsibilities, including:

- (a) an assessment of whether external reporting is consistent with the ARMC's information and knowledge, and if this external reporting is adequate for shareholder needs;
- (b) any recommendations for changes to the financial statements;
- (c) the ARMC's guidelines for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) any recommendations for the appointment or removal of an external auditor;
- (e) a statement to the Board for inclusion in the annual report as to whether the ARMC is satisfied that the provision of any non-audit services is compatible with the independence of the external auditor; and
- (f) the results of its review of risk management and internal compliance and control systems.

5. Authority

The ARMC is authorised by the Board to:

- (a) investigate any matter brought to its attention, and seek any information it requires from any employee of the Company or its controlled entities;

- (b) consider any matters concerning the financial affairs of the company and its controlled entities, and external and internal audit, and risk management, that it considers necessary;
- (c) gain direct and unlimited access to either internal or external auditors, tax and other financial advisors engaged by the Company; and
- (d) obtain or retain any independent professional advice it considers necessary.

6. Review

This Charter is to be reviewed by the ARMC at three year intervals or at such shorter intervals as the ARMC or the Board determines.

This document represents the Charter of the ARMC as adopted by the Board on 12 December 2017.