

CSL Limited

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 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. The Board will seek to stagger the appointment and retirement/removal of members in a manner so as to maintain a degree of continuity whilst offering the opportunity to access different perspectives through the appointment of new members.

2.2 Number

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

2.3 Independence

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

2.4 Chairperson

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

2.5 Qualifications

All members of 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 Absence of ARMC members

If a member of the ARMC is unable to act due to absence, illness or any other cause, the Board, or in urgent circumstances the Chairperson of the Board, may appoint another non-executive director of the Company to serve as an alternate member of the ARMC having regard to maintaining the desired majority of independent directors.

2.7 Attendance by Board Chairperson and other Directors

The Board Chairperson or other directors may attend any meeting of the ARMC in an ex officio capacity.

3. Meetings

3.1 Regularity

ARMC will hold 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 Chairperson of ARMC will call a meeting if formally requested to do so by any member of ARMC, the chief executive officer, or the internal or external auditor.

3.3 Annual plan

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

3.4 Attendance by executives, auditors etc

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

3.5 Distribution of ARMC papers

ARMC 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 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 Chairperson will be distributed to all members of the Board.

3.8 Reports to Board

The Chairperson of ARMC will report the findings and recommendations of 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.

4. Responsibilities

4.1 Oversight of systems of risk management, compliance and control

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 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 a detailed quarterly report from the CSL Corporate Risk Management Committee;
- (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

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

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 ARMC 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

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

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

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 ARMC responsibilities, including:

- (a) an assessment of whether external reporting is consistent with 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

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 14 April 2015.