

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

OBJECTIVES

1. The objective of CSL's Audit and Risk committee (the "ARC") is to give the board (the "Board") additional assurance regarding the quality, integrity and reliability of financial information and systems, adequacy of accounting and control systems, application of accounting policies and to allow the Board to fulfil its responsibilities.
2. The ARC also acts as a communication means between the Board and the auditors to ensure significant issues and information arising from the external auditor's activities is brought to the attention of the Board.
3. The objective of ARC is also to assist the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the company's risk management systems; internal control systems and compliance with applicable laws, regulations, standards and best practice guidelines.

DUTIES AND RESPONSIBILITIES

4. The ARC reports to the Board on an exception basis except where it explicitly states that the decision rights lie with the whole Board and they are marked (BOARD REFERRAL).
5. The role of the ARC is to:
 - 5.1. review and agree on the external audit plan.
 - 5.2. assess the appropriateness of the company's accounting policies and principles and disclosures, and any changes to them (BOARD REFERRAL).
 - 5.3. review significant or unusual transactions and accounting estimates (BOARD REFERRAL).
 - 5.4. review reports from external auditors and ensure that where major deficiencies or breakdowns in controls or procedures have been identified, that appropriate and prompt remedial action is taken by management. (BOARD REFERRAL)
 - 5.5. recommend to the Board the appointment of the Auditor and approval of their annual fees, based on an appraisal of their work and a review of their independence. (BOARD REFERRAL)
 - 5.6. review, assess and assume the responsibility for the risk management process on the completion of a risk identification process. Review and endorse changes to policies regarding risk and compliance as well as the framework for the management of risk and compliance, including but not limited to:
 - 5.6.1. risk event reporting;
 - 5.6.2. status reporting on active operational risk issues; and
 - 5.6.3. development of operational risk management tools & infrastructure.
 - 5.7. ensure the adequacy of internal controls.
 - 5.8. review reports on any major frauds, thefts, defalcations from the company. (BOARD REFERRAL)
 - 5.9. review, assess and keep the Board reasonably informed as to the adequacy of the Internal Audit Process. Assume the responsibility for providing the Board with detailed oversight of the Internal Audit Process in the circumstances of Management being responsible for resourcing and budgeting of the Internal Audit Process in the first instance subject to the overall CSL yearly or periodical budget being approved by the Board. Review and endorse changes to policies regarding internal audit and any internal audit plans (both strategic and annual).
 - 5.10. Ensure compliance with legislative and regulatory requirements as well as internal policies and procedures. Assess and monitor processes for compliance with laws, standards, and best practice guidelines.
 - 5.11. Review CSL's corporate insurance program.
 - 5.12. Review related party transactions and conflicts of interest other than those involving Capricorn Mutual Limited for recommended action to the Board. (BOARD REFERRAL)
 - 5.13. Initiate and direct any special projects or investigations which the ARC, in consultation with or at the request of the Board, are deemed necessary; and
 - 5.14. Report fully to the Board following each meeting (BOARD REFERRAL).
 - 5.15. Perform those tasks directed at meeting the identified ARC objectives as set out in its Annual Tasks and Responsibilities Matrix (ATRM).

6. The ARC may satisfy its objectives, duties and responsibilities, in addition to meeting as a committee, through the ARC Chairman leading sessions or agenda items at Board meetings involving in particular (but without limitation) those matters set out in paras 1, 2 and 5.1 and 5.6 **Error! Reference source not found.** – **Error! Reference source not found.** of these Terms of Reference.

COMPOSITION

7. Annually the Board will reconsider the composition of the ARC.
8. The ARC will elect a committee Chair, noting that the ARC Chairman should not also be the Chairman of the Board.
9. The ARC should comprise at a minimum three Directors and if thought appropriate by the Board, an independent advisor to the Board. The Chair shall be elected from this group.
10. Only ARC members who are directors of CSL are eligible to cast a vote on ARC related matters.
11. Typically the ARC Chair will also be a member of the Prospectus Due Diligence committee.

TERM OF MEMBERSHIP

12. Subject to Section 8, the Board will appoint members of the ARC for one year.

INVITEES

13. The Group CEO, CFO and a representative of the external Auditor (on their request) should be invited to attend ARC meetings. Copies of the ARC Papers and minutes are to be made available to the external auditor on their request.
14. The General Counsel, Legal & Risk and Risk Advisory & Audit Manager are invited to attend ARC meetings in terms of the ATRM as required and on an ad hoc basis at the request of the ARC. The General Counsel, Legal & Risk and Risk Advisory & Audit Manager has a direct reporting relationship with the Chair of the ARC and all reports and submissions are made independently from other members of management.
15. The ARC may require any other director, member of staff or person external to the Company (e.g. Consultants or their representatives) to attend part or whole of a committee meeting from time to time if their attendance is deemed necessary.

MEETINGS

16. The committee will hold at least four regular meetings per year and any additional meetings that the Chairman decides are necessary. The Chairman shall call a meeting of the committee if requested to do so by any ARC member or the CSL Chair or the Group CEO.
17. The Chairman has the authority to convene a meeting from time to time without a management representative present.
18. The Management will provide the services of a Secretary to the committee who will be responsible for keeping the minutes of meetings of the committee and circulating them to committee members and other members of the Board.
19. The Secretary to the committee is also responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to ARC members, and other members of the Board prior to each meeting.
20. A quorum will be two ARC members, provided both are directors. It should be noted that in calculating a quorum, in the instance where an appointed ARC member is unable to attend an ARC meeting, the Board can replace that committee member with another director from the Board (a "substitute director") and the substitute director will be included in the calculation of the quorum.
21. Decisions will be determined by a majority vote, but the Chairman will report the fact of any dissenting vote to the Board when reporting the decision to the Board.

ACCESS

22. The ARC will have unfettered access to both the external auditor and to management of CSL, the ability to consult independent experts and access to any other resources reasonably required for performance of its duties , after consultation with the Board and the Group CEO, where the ARC considers it necessary to carry out its duties.
23. The ARC will exercise its right of access to management under this clause after notifying the Group CEO. Access will not be unreasonably refused.