

Codan Limited

Audit, Risk and Compliance Committee

Charter

1. Purpose

The Audit, Risk and Compliance Committee (the Committee), appointed by the Board of Directors (the Board), assists the Board to fulfil its oversight responsibilities relating to:

- The preparation and integrity of the company's financial accounts and statements;
- Internal controls, policies and procedures that the company uses to identify and manage business risks;
- Qualifications, independence, engagement, fees and performance of the external auditor;
- The external auditor's annual audit of the financial statements;
- The resources, performance and scope of work of the internal audit function; and
- Company compliance with legal, regulatory requirements and compliance policies.

Effective corporate governance depends on the active and collaborative participation of the Committee, Board, external auditors, internal auditors, other assurance providers and management. Ensuring that this collaboration occurs effectively and efficiently is fundamental to the Committee's success.

The existence of the Committee does not diminish the Board's responsibility to ensure the integrity of the financial reporting of compliance and risk management.

2. Authority

The Board has authorised the Committee, within the scope of its duties and responsibilities set out in this Charter, to:

- Perform the activities required to address its responsibilities and make recommendations to the Board;
- Resolve any disagreement between management and the external auditor, with areas of significant disagreement being advised to the Board;
- Select, engage and approve the fees (within operational limits) for professional advisers that the Committee may require to carry out its duties;
- Subject to the agreed protocol;
 - Require the attendance of any company manager or staff member at meetings, as appropriate;
 - Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter.

3. Membership

The Board Chairman is responsible for nominating Committee members for approval by the Board.

The Committee will comprise at least three members, all of whom should be non-executive directors and a majority of whom are independent directors.

The Committee members must be 'financially literate' (i.e. able to read and understand financial statements and challenge information presented in Committee meetings).

At least one Committee member must have 'accounting or related financial expertise' and at least one member must have relevant industry experience.

Committee membership will be reviewed each year. Wherever possible, the Board also ensures that changes in Committee membership are staggered to maintain continuity.

The Company Secretary or their designate is the Committee Secretary.

4. Chairman

The Board Chairman is responsible for nominating the Committee Chairman for approval by the Board.

The Committee Chairman must be an independent, non-executive director and not the Chairman of the Board.

Should the Committee Chairman be absent from a meeting, the Committee members present must appoint a Chairman for that particular meeting, who should not be the Chairman of the Board.

5. Education

The company will assist the Committee in maintaining appropriate financial literacy. The company is responsible for providing new members with an appropriate induction program and educational opportunities, and the full Committee with educational resources relating to accounting principles and procedures, current accounting topics pertinent to the company, and other resources, as reasonably requested by the Committee.

6. Meetings

The Committee should meet at least four times per year. If a member is unable to be physically present, they may participate by video or teleconference.

A notice of each meeting, with relevant supporting agenda papers, confirming the date, time and venue is to be forwarded to each Committee member (with a copy of the notice of meeting to all directors).

The Committee Chairman, the Board Chairman or any Committee member may call a meeting of the Committee. The external auditor or internal auditor may request the Committee Chairman or a Committee member to call a meeting.

The Committee Chairman may invite any person or persons (other than duly appointed members) to attend meetings of the Committee, but not necessarily for the full duration of the meeting. A standing invitation shall be issued to:

- Other directors;
- The CEO;
- The CFO;
- The internal and external auditors; and
- The compliance manager and other relevant members of management.

Two members will constitute a quorum.

The Committee Chairman is not entitled to a second or casting vote.

7. Minutes

The Committee Secretary or delegate must prepare the minutes of the Committee meeting. After the Committee Chairman has given preliminary approval, the draft minutes are circulated to all Committee members and the other Board directors.

The minutes of the meeting will be confirmed and signed at the next Committee meeting.

8. Communications

The Committee is expected to maintain free and open communication with the external auditor, the internal auditor and management.

9. Duties and Responsibilities

In assisting the Board to fulfil its responsibilities, the duties of the Committee are as follows.

Assessment of financial information

Review any significant accounting and reporting issues, including professional and regulatory announcements, and understand their effect on the company's financial statements.

Review all published half-year and annual financial statements of the company and hold discussions regarding the financial statements with the external auditor and management before submission to the Board for approval.

The Committee will pay specific attention to:

- The consistency of accounting policies and appropriate adoption of any new accounting standards;
- Considering the need for, appropriateness of and correct disclosure of, any changes made to the company's accounting policies;
- The treatment and disclosure of complex or unusual transactions, including off-balance sheet structures;
- Significant judgements made by management in preparing the financial statements, including any significant accounting estimates; and
- The going-concern assumptions.

Review, at least annually, the written attestations provided by the CEO and CFO for Australian reporting purposes that:

- The company's financial records have been properly maintained;
- The company's financial statements and notes present a true and fair view, in all material respects, of the company's financial condition, and are in accordance with relevant accounting standards;
- The financial statements are founded on a sound system of risk management and internal compliance and control, and that the system is operating effectively in all material respects in relation to financial reporting risk;
- The company's risk management and internal control and compliance systems are operating efficiently and effectively in respect to its material business risks.

External auditors

Recommend to the Board the appointment, evaluation and removal of the external auditors.

Review and approve the external auditors' proposed audit plan and audit approach, including materiality levels.

Review and agree on the terms of engagement and the audit fees for the external auditors prior to the commencement of each audit.

Review the independence and objectivity of the external auditors and their compliance with all relevant independence requirements including;

- Financial interests in clients and other business relationships;
- Employment and other personal relationships;
- The level of non-audit services provided;
- The rotation of audit partners;
- Limitations on external audit partner providing services other than audit, review or attestation.

Understand any material alternative treatment of financial information that has been discussed with management, including their ramifications, together with the treatment preferred by the external auditor.

Discuss the appropriateness of accounting policies, estimates and judgements.

Review the external auditor's summary management report, detailing the results and significant findings from the audit and management responses.

Meet regularly with the external auditor, without management present.

Resolve any disagreements between management and external auditors in the financial reporting and advise any significant issue to the Board.

Review and approve the external auditor's process for the rotation and succession of audit and review partners, including their approach to managing the transition.

Obtain from the external auditors and review the independence declaration required under the Corporations Act.

Internal auditors (if any)

Consider the requirement for an internal audit function.

Approve the appointment, remuneration and removal of the head of internal audit.

Review the internal audit charter to ensure the appropriate organisational structures, authority, access and reporting arrangements are in place. Ensure appropriate resourcing of the internal audit function.

Approve and review progress against the internal audit work plan:

- Review the internal audit coverage and annual work plan, and monitor progress of the work plan;
- Advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- Oversee the co-ordination of audit programs conducted by internal and external audit respectively.

Review significant internal audit reports and findings.

Review progress on management actions. Monitor progress against the annual work plan, including any significant changes to it, any difficulties or restrictions on the scope of activities and any significant disagreements with management.

Discuss issues with internal audit in the absence of management.

Consider the major findings of the internal audit reports and review management's response in terms of content and timeliness. Monitor management's implementation of internal audit recommendations.

Periodically review the performance of internal audit.

Risk management and internal controls

Review and recommend to the Board for approval the company's risk management policy and oversee the risk management system, including the risk management function and its resourcing.

Approve and monitor the company's risk profile developed by management, covering the principal enterprise-wide risks, including strategic, operational, legal and financial.

Review the operational effectiveness of internal controls.

Review the effectiveness of the company's insurance activities.

Compliance

Review the effectiveness of the company's approach to achieving compliance with laws, regulations, industry codes and company policies.

Review compliance with the company's values and related behaviours and the code of conduct. Review and monitor the effectiveness of policies, procedures and processes for complying with continuous disclosure requirements.

Obtain regular updates from management, legal counsel and the company secretary regarding compliance matters that may have a material impact on the company's activities. Review any correspondence from regulatory bodies regarding significant issues.

Other responsibilities

Ensure that there is a process in place for the Board Chairman and Committee Chairman to be immediately informed of any issue of significant non-compliance or litigation. Oversee the process for the receipt, retention and treatment of information received from the internal whistleblower policy and procedures, and also from external complaints regarding matters relating to audit, the financial statements, internal controls or possible fraud.

Review any fraud reports. Review and discuss any reports concerning any breach of fiduciary duty.

Act as a forum for communication between the Board and senior management and internal and external audit. Review the effectiveness and level of cooperation between management, the internal auditor (if any), the risk management function (if any) and the external auditors. Review reports to the shareholders on the role and responsibilities of the Committee. Conduct special investigations (if required). Perform any other duty or undertaking that the Board may request from time to time.

Review, for potential conflict of interest situations, and pre-approve related party transactions on an ongoing basis.

10. Reporting

In addition to providing the Board with a copy of the notice of meeting and minutes of its meetings the Committee will ensure that:

- The Committee Chairman reports to the Board on committee meetings, regarding all relevant matters and appropriate recommendations; and
- The Committee addresses any other reporting responsibilities.

11. Reviews

To ensure that the Committee is fulfilling its stewardship duties to the Board, the Committee will:

- Review, at least annually, the Committee Charter and recommend to the Board any appropriate amendments for approval; and
- Conduct an annual assessment of its performance against its charter duties and responsibilities and provide a report of the findings to the Board.