

Factor Therapeutics Limited

Audit and Risk Management Committee Charter

Adopted by the Board on 28 June 2016

1. Purpose

The purpose of this Audit and Risk Management Committee (**Committee**) Charter is to specify the authority delegated to the Committee by the Board of Directors of Factor Therapeutics Limited (**Factor, FTT or Company**) (ACN 101 955 088) and to set out the role, responsibilities, membership and operation of the Committee.

The Committee is a Committee of the Board established in accordance with Factor's constitution and is authorised by the Board to assist in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted from time to time.

2. Role of the Committee

The role of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of the risk management framework and financial reporting and reporting thereof including its effectiveness. These includes:

- a. overseeing the integrity of the Company's financial statements and financial reporting systems;
- b. reviewing the appointment, remuneration, independence and competence of the Company's external auditor;
- c. overseeing the performance of the external audit function and review of their audits;
- d. overseeing the effectiveness of Company's risk management, compliance and internal controls system; and
- e. overseeing the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

3. Responsibilities

3.1 External reporting

The Committee is responsible for:

- a. reviewing the appropriateness of the accounting principles and any significant accounting estimates adopted by management in the preparation of external reports;
- b. adhering to our accounting policies and adopting new accounting policies in a timely fashion;
- c. overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- d. reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting;
- e. assessing information from external auditors that effects the quality of external reports;
- f. reviewing the completeness and accuracy of Factor's key corporate governance practices as required by ASX Listing Rules, including those relating to continuous disclosure;
- g. reviewing the representations made by management in relation to external reporting;
- h. ensuring receipt of the CEO and CFO declaration required pursuant to section 295A of the *Corporations Act 2001* (Cth) in relation to financial statements;

- i. making a recommendation to the Board in respect to the approval of the external reports;
- j. ensuring receipt of assurance and reports from the external auditor as to the quality of internal controls as they relate to financial reporting; and
- k. assessing solvency and the going concern assumption;

3.2 External audit

The Committee is responsible for:

- a. establishing guidelines for the selection and appointment of external auditor and the rotation of the principal audit partner every five years to maintain its independency;
- 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 the external auditor's engagement and performance annually and being satisfied that the external auditor is adequate and independent, having regard to the relevant legislation and regulatory requirements;
- d. ensuring there is unfettered access for the external auditor to raise matters directly with the Board or the Committee, including inviting the external auditor to attend Committee meetings to present the audit plan, discuss audit results and consider the implications of external audit findings;
- e. reviewing regularly the scope of external audit to ensure that it covers all material risks and financial reporting requirements;
- f. monitoring management's response to the external auditor's findings and recommendations and overseeing management's processes for ensuring that issues identified are addressed in an appropriate and timely manner;
- g. ensuring that the external auditor attends the Company's annual general meetings and is available to answer questions from shareholders relevant to the audit; and
- h. meeting with the external auditor without management present at least annually;

3.3 Risk management, compliance and internal control

The Committee is responsible for:

- a. assisting the Board in setting the risk management policy and appetite and monitoring whether the business is operating within that policy and appetite;
- b. ensuring that the Company has an effective risk management system;
- c. reviewing Factor's risk management framework and risk profile at least annually to ascertain whether it:
 - i. has been designed to effectively manage material business risks; and
 - ii. is operating effectively in all material respects in relation to the financial reporting risks;
- d. reviewing the adequacy of the Company's internal controls and processes;
- e. reviewing any material insurance matters including, as appropriate, insurance programs and deeds of indemnity, insurance and access;
- f. ensuring that Factor has in place appropriate systems and procedures to ensure compliance with all relevant laws, regulations, codes, standards and best practice guidelines;
- g. ensuring appropriate disclosures are made regarding any material exposure to economic, environmental and social sustainability risks;
- h. conducting investigations of breaches or potential breaches of internal controls, and any incidents;
- i. encouraging voluntary reporting by employees to the Committee about accounting, internal control, compliance, audit and other matters about which employee has concerns;

- j. evaluating the independence of external auditors;
- k. examining and evaluating the effectiveness of the internal control systems and processes with management and external auditors and making improvements; and
- l. commissioning specific investigations of breaches or potential breaches of internal controls, particularly in relation to financial matters, records, accounts and reports as appropriate.

4. Membership

4.1 Composition and size

The Committee shall be no less than three members, all of whom are non-executive directors, a majority of whom are independent directors.

The Board reserves the right to appoint external advisors to this Committee.

Each member must be free from any interest, business or other relationship which, in the opinion of the Board, could, or could reasonable be perceived to, materially interfere with the exercise of his or her independent judgment as a member of the Committee.

If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

The Board will, at least annually, review the membership and its charter to ensure that it remains relevant and appropriate to Factor Therapeutics, to determine the effectiveness of the Committee, and to make changes to this charter as necessary.

4.2 Chairman

The Chairman of the Committee is chaired by an independent director, who is not the chair of the Board, however the chairman of the Board may sit on the Committee. In the absence of the Chairman at any meeting, the members shall elect of their members as a Chairman at that meeting.

4.3 Technical Expertise

The Committee must be structured so that:

- a. all members are financially literate, that is, are able to read and understand financial statements;
- b. at least one member has financial expertise, that is, is an accountant or financial professional with sufficient accounting and financial knowledge; and
- c. all members have an understanding of the industry in which the Factor operates.

4.4 Secretary

The Secretary of the Committee will be the Company Secretary of the Board, or such other person as nominated by the Board.

5. Committee Meetings and Processes

5.1 Meetings

The Committee shall meet as and when it determines is necessary to perform its functions but not less than two times each year.

The Chairman must call a meeting of the Committee if requested by any member of the Committee, the Chairman of the Board, CEO, CFO or external auditor.

Committee members may attend meetings in person or by electronic means.

In cases where circumstances make it impractical to convene and hold a meeting, the Committee may pass resolutions by each member signing a circular resolution.

5.2 Quorum

A quorum will comprise any two independent Committee members.

5.3 Attendance by management and advisers

The Committee Chairman may invite the CEO, CFO, director who are not members of the Committee, other senior executives, external auditors and external advisers to attend meetings of the Committee.

5.4 Notice, agenda and papers

The Secretary will be responsible for circulating the notice, agenda and papers a reasonable period in advance of each meeting as agreed by the Chairman, and preparing and circulating the minutes of meetings to members of the Committee and the Board as soon as practicable after each meeting.

5.5 Minutes

The Secretary will be responsible to keep books of minute to record the proceedings and resolutions of the Committee meetings, including the names of those present.

The Chairman of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of the Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

The Committee must refer any matter of significant importance to the Board for its consideration and attention.

5.6 Access to information and advisers

The Committee has direct and unlimited access to executives or any other officer or employee of the Company, as well as the External Auditor, in order to discharge its role and undertake its duties.

The Committee also has the authority to:

- a. access Company's documents and records;
- b. require management or others to attend meetings and to provide any information or advice that the Committee requires;
- c. obtain independent opinions and engage independent experts where it considers necessary to carry out its duties; and
- d. demand unfettered access at all times to senior management and external auditor.

6. Committee's Performance Evaluation

The Committee's performance will be reviewed on an annual basis in accordance with processes established by the Board and will report the findings of that review to the Committee and the Board.

The performance evaluation will have regard to, amongst other matters, the extent to which the Committee has met its responsibilities in terms of this Charter.

7. Review and Publication of Charter

The Committee will review this charter from time to time to ensure that the Charter is up-to-date and consistent with the Committee's authority, objectives and responsibilities; and report to the Board should any changes be made. This Charter may be amended by resolution of the Board.

This Charter will be made available on Factor's website and the key features will be published in the Corporate Governance Statement.