

Audit and Risk Committee Charter

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Projecting the Future



Contents

1	Role of the Committee	3
2	Duties	3
2.1	Internal Control and Risk Management	3
2.2	Internal Audit.....	3
2.3	Risk Management	3
2.4	External Audit	4
2.5	Financial Statements.....	4
2.6	Code of Conduct.....	4
2.7	Reporting.....	4
2.8	Compliance with Laws and Regulations	5
3	APPOINTMENT AND COMPOSITION	5
3.1	Appointment.....	5
3.2	Composition of the Committee	5
3.3	Technical expertise	5
3.4	Term.....	5
4	Meetings.....	5
4.1	Frequency.....	5
4.2	Agenda.....	5
4.3	Minutes	6
4.4	Quorum.....	6
5	Attendance at Meetings	6
5.1	Other Directors	6
5.2	Attendance by Invitation	6
6	Authority of the Committee	6

1 Role of the Committee

This Charter sets out the specific responsibilities delegated by the Clough Limited Board to the Audit and Risk Committee and details the manner in which the Committee will operate.

The Audit and Risk Committee will assist the Board to meet its obligations pursuant to the ASX Corporate Governance Council's Principles and Recommendations, in particular:

Principle 4 – Safeguard Integrity in Financial Reporting

“Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.”

and;

Principle 7 – Recognise and Manage Risk.

“Companies should establish a sound system of risk oversight and management of internal control.”

The Committee's obligations in relation to the integrity of financial reporting will be achieved by ensuring that appropriate processes are in place to support the Board in fulfilling its responsibilities, to exercise due care, diligence and skill in relation to Clough's:

- Reporting of financial information to users of financial reports.
- Appropriateness, application and amendment of accounting policies.
- Financial management.
- Internal financial control systems.
- Evaluation and re-appointment of external auditors.

The Committee's obligations in relation to the recognition and management of risk will be achieved by overseeing the group's overall corporate governance framework that has been established within the business. The core of the governance framework is the procedure to identify and manage risks and opportunities. This process is supplemented by management review and a number of governance activities designed to protect the group against risks that would without appropriate mitigation have the potential to materially impact the group's financial performance.

2 Duties

2.1 Internal Control and Risk Management

The Committee shall oversee the financial reporting system, the system of internal control and the procedures for the identification and management of risks and opportunities.

2.2 Internal Audit

The Committee will:

- Approve the Internal Audit Charter
- Approve the appointment of the Head of Internal Audit
- Approve the terms of reference and the annual program of the internal audit function
- Receive and review internal audit reports from the Head of Internal Audit
- Review the effectiveness of internal audit.

The Head of Internal Audit will have direct access to the Chair of the Audit Committee.

2.3 Risk Management

The Committee will ensure:

- The adequacy of the risk management and internal control systems
- All material financial and non-financial risks are properly identified
- Appropriate risk mitigation strategies are in place for all key risks

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- Insurances are adequate
- Processes are in place to ensure compliance with regulatory requirements.

2.4 External Audit

The Committee will:

- Ensure that it is clear that the external auditor has a statutory responsibility to report to shareholders of the company
- Review and approve the nature and scope of the audit, the audit plan, including identified risk areas and ensure co-ordination if more than one audit firm is involved
- Review the external auditors' management summary reports in respect of the interim review and final audit and the management responses
- Discuss and resolve any problems and reservations arising from the interim review and final audit and any matters that the auditors wish to discuss
- Review and approve the Group audit fee and recommend to the Board the final Group audit fee
- Review the fees for all non-audit assignments
- Ascertain that no limitation was imposed by management on audit work carried out
- Evaluate the performance of the external auditors annually and make recommendations to the Board in relation to their appointment and termination
- Review the independence and objectivity of the external auditors
- Ensure that external auditor function is rotated in conjunction with the terms and conditions of relevant ASX and ASIC laws and regulations.

2.5 Financial Statements

The Committee will review the Financial Statements in respect to:

- The consistency, quality and appropriateness of the accounting policies, practices and financial reporting disclosures and any changes thereto
- Changes to accounting standards, group accounting policies and practices and the effects thereof
- Compliance with International Financial Reporting Standards
- Accounting treatments requiring a significant element of estimate or judgement and unusual transactions including inter alia, the financial impact of legal issues
- Significant adjustments resulting from the audit
- Clarity and completeness of disclosure
- The impact of audit adjustments
- The going concern assumption, including the basis used for the assumption
- Compliance with stock exchange listing and legal requirements
- The CEO and CFO declarations.

2.6 Code of Conduct

The committee will monitor and review compliance with the Company's Code of Conduct

2.7 Reporting

The Audit and Risk Committee will report to the Board. The report shall contain all matters relevant to the Committee's role and responsibilities, including:

- Assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs
- Assessment of the management processes supporting external reporting
- Procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners
- Recommendations for the appointment or the removal of the external auditor
- Assessment of the performance and independence of the external auditors, including non-audit services provided
- Assessment of the performance and objectivity of the internal audit function

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- Results of the Committee's review of risk management and internal control
- The proceedings of each meeting of the Audit and Risk Committee
- Annually in relation to the performance of the Committee.

The Chair of the Audit Committee is to be present at the annual general meeting to answer questions, through the Chair of the Board.

2.8 Compliance with Laws and Regulations

The Committee will review the systems for monitoring compliance with laws and regulations and will obtain regular updates from the company's legal counsel regarding compliance.

3 Appointment and Composition

3.1 Appointment

The Board of Directors will nominate the members of the Audit and Risk Committee and the Chair. The Chair of the Board shall not be eligible to be appointed Chair of the Audit and Risk Committee.

3.2 Composition of the Committee

The audit committee should be structured so that it:

- Consists only of non-executive directors
- Consists of a majority of independent directors
- Is chaired by an independent chair, who is not Chair of the Board
- The Committee has at least three members
- Consists of at least one member who is a qualified accountant
- Consists of at least one member that has an understanding of the industry in which the Group operates.

3.3 Technical expertise

The members must have the necessary technical expertise to discharge the Committee's mandate effectively.

3.4 Term

Members of the Committee will be appointed for a term of three years.

4 Meetings

4.1 Frequency

The Committee will normally hold three meetings per year and such additional meetings as the Chair shall decide in order for the Committee to fulfil its duties. The Chair will call a meeting if so requested by any member of the Committee or by the internal or external auditor.

4.2 Agenda

An agenda and papers will be circulated to the members of the Committee in advance of the meetings. The standard agenda will consist of the following:

- Minutes of the Previous Meeting
- Internal Assurance and Risk Reports
- Operational Assurance Statements
- External Auditors Report
- Financial Statements
- Notice of the Annual General Meeting
- Market Announcements
- Media Release

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- General Business.

4.3 Minutes

The Company Secretary will keep minutes of all meetings.

4.4 Quorum

A quorum shall be a majority of the members.

5 Attendance at Meetings

5.1 Other Directors

The Chair of the Board and any of the Clough Limited directors may attend ex officio.

5.2 Attendance by Invitation

The General Manager of Business Support, Company Secretary and representatives of the external auditors attend meetings by invitation.

6 Authority of the Committee

The Committee has the authority to:

- Obtain independent professional or other advice in the fulfilment of its duties at the cost of the Company
- Obtain such resources and information from the Company in the fulfilment of its duties as it may reasonably require
- Have direct access to the internal and external auditors to discuss and review specific issues, and the right to coordinate their respective roles
- Review the Audit and Risk Committee Charter annually and recommend any proposed changes to the Board.