

MESOBLAST

BOARD AUDIT AND RISK COMMITTEE

CHARTER

1. Membership

Membership of the Audit and Risk Committee will be no less than three (3) Directors each of whom is an independent director of the Company. Each member of the Committee will be financially literate, including the ability to understand the Company's financial statements.

At least one member of the Committee will have relevant formal accounting or financial qualifications and experience (eg, as a qualified accountant or finance professional). The Board will designate at least one member as an "audit committee financial expert" (as defined by applicable Securities and Exchange Commission (SEC) rules) for US purposes.

The Chair of the Committee (**Chair**) will be an independent Director (who is not the Chair of the Board or the Chief Executive Officer), and is appointed by the Board.

The Committee will have an appropriate mix of independence, skills and experience to effectively fulfil its responsibilities.

The Board determines Committee appointments, rotations and cessations in accordance with the Company's Constitution and applicable regulatory requirements.

2. Definitions

In this Charter the following terms will have the meaning ascribed to them:

"the Act" means the Corporations Act 2001 (Cth) (as amended).

"ASX" means the Australian Securities Exchange, a financial market operated by ASX Limited.

"Board" means the Board of Directors of the Company.

"Chair" means Chair for the time being of the Committee.

"Charter" means the Charter of the Committee.

"Committee" means the Audit and Risk Committee of the Board.

"Company" means Mesoblast Limited ACN 109 431 870.

"Constitution" means the Constitution of the Company.

"Director" means a director of the Company.

'Group' means the Company and its subsidiaries and associated entities.

"Independent" means a Director who:

- (a) is free of any interests, positions, associations or relationships that might influence, or reasonably be perceived to influence, their capacity to exercise independent judgment; and
- (b) who complies with the provisions for independence set out in item 2 of *Section 3 "Appointment of Directors"* of the Company's *Corporate Governance Manual*, Rule 5605(a)(2) of Nasdaq, and those set out in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

"Listing Rules" means the listing rules of the ASX, the listing rules of the Nasdaq and any other financial market (whether in Australia or elsewhere) on which the Company is listed.

"Member" means a member of the Committee appointed in accordance with section 1 of this Charter.

"Nasdaq" means the Nasdaq Stock Market.

"Secretary" means the Secretary of the Committee appointed in accordance with section 8 of this Charter.

3. Meetings of the Committee

- a) Meetings will be scheduled by the Chair in coordination with the Secretary in accordance with the Company's Constitution.
- b) The Committee will meet at least four times a year and additionally as needed to properly fulfill its functions and to further its objectives.
- c) Formal agendas, with relevant supporting papers, will be prepared and circulated to all Members at least 72 hours in advance of each meeting. All Members are expected to attend each meeting in person or by suitable telecommunication means such as teleconferencing or video conferencing.
- d) A quorum of Members will be two (2), one of which must be a "financial expert" as defined herein.
- e) The Chief Executive Officer and the Chief Financial Officer of the Company are each invited to attend Committee meetings as non-voting ex officio participants and may be asked to withdraw from any part of the meeting if their absence is considered necessary for the Committee to discuss certain matters independently. At a minimum, either the Chief Executive Officer or the Chief Financial Officer must attend each meeting.

- f) Any Director of the Board who is not a Committee member may attend meetings and speak at the invitation of the Committee.
- g) The Committee will evaluate its performance each year having with reference to this Charter and commit to continuous improvement in its processes. Such evaluation shall be reported to the full Board of Directors at the next convened Board meeting.

4. Objectives

The Committee's objectives are as follows.

- a) The Committee's role is to act as a steward of the Company's financial integrity and risk by reviewing and making recommendations to the Board in relation to the Company's accounting, auditing, financial reporting, risk management, legal and regulatory compliance and related matters.
- b) Assisting the Board to discharge its responsibility to exercise due care and independent judgment (including challenging management where appropriate) in overseeing:
 - i) reporting of financial information of the consolidated Group to users of financial reports;
 - ii) application of the Group's accounting policies;
 - iii) the Group's financial management;
 - iv) the Group's internal control system;
 - v) the Group's enterprise risk management framework;
 - vi) the Group's business policies and practices;
 - vii) protection of the Group's assets;
 - viii) Group's compliance with applicable laws, regulations, standards and best practice guidelines;
 - ix) ensuring the risks under which the Group operates are adequately identified and analysed and appropriate mitigation and management strategies are developed, implemented and their effectiveness monitored;
 - x) ensuring that the Group has in place effective systems for the identification, assessment and monitoring of its compliance with laws and regulations that govern its operations; and
 - xi) overseeing effective "whistle blower" arrangements to enable reporting of unethical or unlawful behaviour with appropriate protections and confidentiality.

- xii) Enhancing the credibility and objectivity of the Company's financial reporting and accountability processes (including financial reporting), especially where the role of the Committee and its membership by Independent Directors is disclosed to shareholders and the public.
- c) Facilitating open and transparent communication between the Board, particularly the Independent directors, and senior financial management, particularly the Chief Financial Officer, Chief Executive Officer and other members of management responsible for managing finance and risk and adhering to the Company's strategy and goals.
- d) Improving the efficiency of the Board by accepting delegated tasks to the Committee so that the Board can focus on strategic matters considering the input and expertise of the Committee.
- e) Strengthening the effectiveness of the external audit function including improving communication between the Board and the external auditors.
- f) Overseeing, facilitating and maintaining the qualifications and independence of the external auditor.
- g) Improving the clarity and quality of financial and non-financial reporting, including better alignment between the Company's financial statements and its non-financial disclosures.
- h) Overseeing the Company's compliance with its disclosure obligations as a publicly listed entity, and promoting a culture of timely, accurate and balanced disclosure in external communications.
- i) Empowering independent Directors to bring objective, appropriate and effective challenges to management in the Company's governance processes.
- j) Fostering a culture of transparency, ethical behaviour, integrity and accountability throughout the Group.

5. Committee's Function

- a) Promote effective communication between the Board and the external auditor, with a particular focus on verifying and safeguarding the integrity of the Company's financial reporting.
- b) Review the annual and half-yearly financial statements together with notes thereto, and to recommend their approval to the Board.
- c) Oversee the ongoing implementation and effectiveness of the Group's risk management and internal control systems, including setting related policies and reviewing their effectiveness.

- d) Establish and monitor frameworks to ensure compliance with applicable laws, regulations, standards, best practice guidelines and the Group's code of conduct.
- e) Oversee the Group's whistle blower program (confidential reporting mechanism) and its effective operation.
- f) Review, critique and endorse any reports to regulators that require Board approval.
- g) Review, evaluate and disclose to the Board any related-party transactions, recommending approval if appropriate
- h) Oversee controls designed to prevent and detect fraud and other material irregularities.
- i) Review the effectiveness of the Group's internal control systems and the internal audit function.
- j) Monitor the effectiveness of the external audit process, including oversight of the audit plan.
- k) Advise the Board on the appointment and rotation of the Company's external auditor and internal auditor.
- l) Perform any other functions or activities related to this Charter as delegated by the Board.

6. Responsibilities

The Committee is a committee of the Board and is accountable to the Board for the following responsibilities:

External Reporting

- a) Consider the appropriateness of the Company's accounting policies and principles and any significant changes to them or their application, ensuring that they are in accordance with applicable accounting standards and the Company's financial reporting framework.
- b) Consider the methods used to account for significant or unusual transactions or emerging areas for which there may be no specific accounting standard, including management's reasoning for the chosen approach, and obtain the external auditor's perspectives on these treatments.
- c) Assess significant financial reporting estimates and judgements by questioning management on how they are determined and considering the views of the external auditors on the reasonableness of those estimates and judgments.

- d) Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements (including Accounting Standards, the Act and relevant Listing Rules) relating to the Company's external reporting of financial and non-financial information.
- e) Ensure that robust procedures are in place to capture issues and determine disclosure obligations for the purposes of continuous disclosure to ASX/NASDAQ, and all financial markets (whether in Australia or the US or elsewhere) on which the Company's securities are listed for quotation.
- f) Assess information from the external auditors that affects the quality of financial reports or disclosures and ensure any necessary adjustments or improvements are made.
- g) Seek from the external auditor an independent judgement about the appropriateness of the accounting policies and methods used and the clarity of the financial disclosures.
- h) Review significant documents and reports to regulators and make recommendations to the Board on their approval or amendment.
- i) Consider the management of non-financial information to ensure it is not inconsistent with or misleading in light of the Company's financial statements.
- j) Review and discuss the Company's external financial results reports with management and independent auditor.
- k) Recommend to the Board whether the financial and associated non-financial statements should be signed based on the Committee's assessment of them.
- l) Review and discuss the Company's earnings press releases and any financial guidance provided to analysts and rating agencies. To extent the Company desires to provide financial guidance, any such guidance must be reviewed and approved by the full Board of Directors prior to release and disclosure.

Related-party Transactions and Conflicts of Interest

- a) Review and monitor the fairness and transparency of related party transactions on an ongoing basis and, where necessary, their appropriate disclosure, including ensuring they are properly approved and disclosed, including in accordance with the Act, the Listing Rules and the SEC rules.
- b) Confirm that the Company has appropriate policies and procedures for identifying, reviewing, approving or ratifying transactions involving related parties.

- c) Ensure that, in any Committee discussion or decision, any member with a material personal interest or conflict (actual or perceived) in the matter is excluded from deliberations and voting on that item.

Internal Control and Risk Management

- a) Oversee management's implementation and maintenance of the Group's enterprise risk management framework, periodically reviewing its effectiveness and recommending improvements to ensure it remains sound and responsive to the Group's strategic objectives. The framework should adequately address contemporary and emerging risks and opportunities, including those related to conduct and culture, third-party risk and supply chain, digital disruption, cybersecurity, artificial intelligence (AI) and data governance, privacy and data protection and sustainability, including climate and public health risks;
- b) Periodically confirm that the Company's key risks are being appropriately identified, assessed and managed, and that mitigating strategies are effective;
- c) Review reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks, including (where necessary) on an urgent basis;
- d) Require management to report promptly on all suspected and actual frauds, thefts and significant breaches of laws;
- e) Address the effectiveness of the Group's internal control system by engaging with management and the external auditors;
- f) Evaluate the processes the Group has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- g) Assess whether management has controls in place for unusual or higher risk transactions and activities;
- h) Assess the effectiveness of and compliance with the Group's Code of Conduct;
- i) Meet periodically with key management, the external auditors and compliance staff to understand and discuss the Company's control environment;
- j) Make recommendations to the Board regarding the risks the Group faces, actions or policies for managing those risks, and any improvements or disclosures needed regarding the Group's risk management framework and risk profile.

External Audit

- a) Make recommendations to the Board on the selection, appointment, re-appointment, removal, rotation and remuneration of the external auditor and regularly review the external auditor's performance and ongoing independence.

- b) Ensure that any suggestion by management that the external auditor be replaced or that the audit be put out to tender is examined by the Committee and a recommendation made to the Board.
- c) Review the external auditor's fee and be satisfied that an effective, comprehensive and complete audit can be conducted for the agreed fee.
- d) At the commencement of each audit, agree the terms of the engagement with the external auditor and review the proposed audit plan (including identified risk areas and any additional agreed-upon procedures).
- e) Invite the external auditor to attend Committee meetings as appropriate (including to review the audit plan, discuss audit/review results and consider the implications of any external audit/review findings on the control environment).
- f) Together with the external auditor, review the scope of the external audit (particularly the identified risk areas) on a regular and timely basis.
- g) Enquire of the auditor if there have been any significant disagreements with management, whether or not they have been resolved.
- h) Monitor management's responsiveness to the external auditor's findings and recommendations, and ensure that appropriate actions are taken in response to any significant issues identified.
- i) Review all representation letters signed by management and ensure that the information provided is complete and appropriate.
- j) Provide the opportunity for the Independent Committee Members to meet with the external auditors without management personnel being present at least once a year.
- k) Review the external auditor's independence each year including consideration of any relationships or services that may impact the auditor's objectivity (with reference to the auditor's own formal written independence confirmation).
- l) Receive a formal written statement and other communications from the external auditor regarding all relationships between the auditor and the Company, and discussing with auditor any relationships or services that may affect the objectivity or independence of auditor under the then applicable rules governing independent auditors, including Independence Standards Board Standard No. 1.

Compliance

- a) Review and assess the effectiveness of the Group's compliance program in ensuring compliance with relevant regulatory and legal requirements.

- b) Discuss with management (and, where appropriate, the external auditor) the overall adequacy and effectiveness of the Group's compliance programs (including legal, regulatory and ethical compliance) and any improvements or corrective actions needed.

7. Powers

- a) The Committee is authorised to seek any information it requires from any officer, employee or external adviser (including auditors) of the Group in order to carry out its responsibilities.
- b) The Committee may conduct or authorise investigations into any matters within its scope and is empowered to access independent professional advice and assistance as it deems necessary, at the expense of the Company.

The Committee will exercise its powers with regard for fair treatment and confidentiality and may hold private ('in camera') sessions as necessary (including with external or internal auditors without management present).

- d) The Committee will monitor and address any complaints or concerns relating to accounting, internal controls or auditing matters.
- e) The Committee's powers are investigative and advisory only. The Committee has no power to make determinations on behalf of the Company or the Board, other than with respect to matters specifically delegated to the Committee by the Board or as otherwise permitted under the Company's Constitution.

8. Secretary and other administrative support

- a) The Committee will have a Secretary to provide administrative support to the Committee.
- b) The Committee may may engage additional administrative and technical support as it considers necessary or desirable for its proper and efficient performance of its functions.
- c) Committee Meetings shall be documented in a complete set of minutes reviewed by the Committee Chair, and approved by the Committee at the next convened meeting.

9. Reporting to the Board

- a) The Committee must regularly report to the Board after each Committee meeting. This includes providing the Board with a copy or summary of the Committee's minutes and any key recommendations or findings from that meeting.
- b) The Committee Chair must further report to the Board in respect of:
 - the audit process and the results of external audits;

- any determination by the Committee regarding the external auditor's independence;
- other matters the Committee believes should be brought to the Board's attention; and
- any recommendations requiring Board action or approval.

The Committee will periodically review this Charter and recommend any required changes to the Board for approval.