

**THE AMERICAN NATIONAL RED CROSS  
BOARD OF GOVERNORS**

**AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

**I. PURPOSE**

The Audit and Risk Management Committee (the “Committee”) is appointed by the Board of Governors (the “Board”) of The American National Red Cross (the “Corporation”). The purpose of the Committee is to assist the Board in oversight of (1) the integrity of the financial statements of the Corporation, (2) the qualifications and independence of the Corporation’s independent auditors, (3) the performance of the Corporation’s independent auditors and internal audit function, (4) the processes by which the Corporation’s management assesses and manages risk, and (5) the Corporation’s compliance with legal and regulatory requirements.

**II. COMPOSITION**

The Committee shall be composed of at least five but not more than eight members of the Board and shall not include the Chairman of the Board or the President and Chief Executive Officer (the “CEO”). All members of the Committee shall be appointed and subject to removal by the Board in accordance with the Corporation’s Bylaws and shall meet the independence standards adopted by the Board. All members of the Committee shall have sufficient financial literacy and ability to discharge their responsibilities, and at least one member shall be a “financial expert” defined as: (a) an understanding of generally accepted accounting principles (GAAP) and financial statements; (b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more persons engaged in such activities; (d) an understanding of internal controls and procedures for financial reporting; and (e) an understanding of audit committee functions.

**III. AUTHORITY AND RESPONSIBILITIES**

In furtherance of the Committee’s purpose, the Committee shall have the following authority and responsibilities:

**A. Financial Statement Matters**

1. Review and discuss with management and the independent auditors the annual audited financial statements, and reports including, as the Committee deems appropriate, the results of the annual audit, including any problems, difficulties or significant findings, any restrictions on the scope of the independent auditors’ activities or

access to requested information, any significant disagreements with management, and management's responses thereto, any management letters provided by the independent auditors and management's responses thereto and other matters related to the conduct of the audit that are required to be communicated to the Committee in accordance with generally accepted auditing standards.

2. Review, as appropriate, (a) the Corporation's financial reporting and accounting standards and principles, significant changes in such standards or principles or in their application, the key accounting decisions affecting the Corporation's financial statements, including alternatives to, and the rationale for, the decisions made; and (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

**B. Oversight of Internal Control Matters**

1. Review with the CEO, the chief financial officer, the independent auditors and the chief audit executive the effectiveness of the Corporation's internal controls, including information technology security and controls.
2. Understand the scope of the review of the Corporation's internal controls and of financial reporting by the independent auditors and the chief audit executive, and obtain reports on significant findings and recommendations, together with management's responses.

**C. Oversight of the Corporation's Internal Audit Function**

1. Review and approve the internal audit function, including: (a) purpose, authority and organizational reporting lines; (b) annual audit plan, budget and staffing and any changes thereto; (c) the appointment, compensation, reassignment or dismissal of the chief audit executive; (d) the charter for the internal audit function; and (e) the effectiveness of the internal audit function, including compliance by the internal audit staff with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
2. Review the following areas with the chief audit executive, and such others as the Committee deems appropriate, (including executive sessions), (a) the results of internal audits and any significant findings during the year, (b) any reports made to the Committee by the chief audit executive, including periodic reports regarding the assessment by the chief audit executive of the Corporation's internal controls; and (c) any difficulties encountered in the course of the internal audits,

including any restrictions on the scope of the internal audit function's work or access to required information.

**D. Oversight of the Corporation's Relationship with the Independent Auditors**

1. Have the sole authority and responsibility to select, evaluate, compensate and oversee the work of any public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation for national level matters (including resolution of disagreements between management and the auditor regarding financial reporting).
2. The independent auditors and each such public accounting firm shall report and be accountable directly to the Committee. The Committee shall have sole authority in its discretion to approve all audit engagement fees and terms and to terminate the independent auditor.
3. The Committee must pre-approve any audit and non-audit service provided to the Corporation by the Corporation's independent auditors in accordance with the policies on pre-approval of audit and non-audit services of this Committee. The Committee may delegate from time to time its pre-approval authority to one or more of its members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.
4. Review at least annually the qualifications, performance and independence of the independent auditors. In performing such review, the Committee shall:
  - (a) obtain and review at least annually a formal written report from the independent auditors delineating the auditing firm's internal quality-control procedures and any material issues raised within the preceding five years by the auditing firm's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee shall review steps taken by the auditing firm to address any findings in any of the foregoing reviews;
  - (b) review at least annually all relationships between the independent auditors and the Corporation in order to assess the independence of the independent auditors;

- (c) take into account the views and recommendations of management, including the CEO, chief financial officer and the chief audit executive; and
  - (d) review and evaluate the lead audit partner(s) assigned by the independent auditors to the Corporation.
5. Meet with the independent auditors prior to the audit to discuss the planning and staffing of the audit.
  6. Discuss with the independent auditors, the chief audit executive and the U.S. Army Audit Agency, and review and consider, the overall scope and plans for their respective audits, including coordination of their respective audits to assist in ensuring completeness of coverage, to avoid unnecessary duplication and expense, and to make efficient use of available resources.
  7. Ensure that the lead audit partners assigned by the independent auditors to the Corporation, as well as the audit partner reviewing the Corporation's audit, shall be changed at least every five years.
  8. Ensure there are policies of the Corporation for hiring employees or former employees of the independent auditors.
  9. On a regular basis, meet separately with the independent auditors to discuss any matters that the Committee or the independent auditors believe should be discussed in executive session.

**E. Oversight of Risk Management**

1. To assist in ensuring that the Corporation has sufficient policies and procedures in place to govern its risk assessment and risk management activities, including, as appropriate, (a) review with the corporate officers responsible for risk management, the Corporation's policies with respect to risk assessment and risk management and approve specific risk management policies as appropriate; (b) consider with the corporate officers responsible for risk management, management and others as appropriate, whether risk parameters should be established for each area of enterprise risk and if so whether such established risk parameters are adequate for such area; and (c) monitor overall risk exposures against such established parameters.
2. Discuss with management, including the corporate officers responsible for risk management, the chief audit executive and the independent auditors (including executive sessions) as appropriate, significant risks or exposures, and risk management policies related thereto, and assess

the steps management has taken to monitor, mitigate and control such risks to the Corporation.

3. Review with the general counsel (a) any legal matters (including major legislative or regulatory developments) that may constitute or create contingent liabilities and risks that may be material to the Corporation; and (b) other matters that could materially impact the Corporation's contingent liabilities and risks.
4. Request, as appropriate, reports from key members of management regarding high-risk areas or topics of current interest.

**F. Regulatory/Compliance Oversight Responsibilities**

1. Review and investigate (or cause to be investigated if the Committee deems appropriate) any matters pertaining to the integrity of management, including adherence to the Corporation's code of conduct and ethical rules and policies, and any matter brought to the Committee's attention within the scope of its purpose and responsibilities.
2. Review the Corporation's compliance processes, including the effectiveness of the system for monitoring compliance with applicable laws and regulations, the process for communicating the Corporation's code of conduct and ethical rules and policies to Corporation personnel, and the ombudsman process and meet, as the Committee deems appropriate, with the general counsel and other officers or employees.
3. Authorize the Quality and Regulatory Compliance Subcommittee to assist the Committee in reviewing legal and regulatory compliance matters, focusing on Biomedical Services.
4. Review legal and regulatory matters that may have a material impact on the Corporation's financial statements, related corporate compliance policies, and programs and reports received from regulatory agencies and any observations of the independent auditors or chief audit executive regarding compliance matters. Obtain regular updates from the general counsel, independent counsel, other compliance and ethics officers and members of management regarding compliance matters and significant legislative and regulatory developments that may affect compliance matters. On a regular basis, meet separately with the general counsel to discuss any matters that the Committee or the general counsel believe should be discussed in executive session.

5. Receive periodic reports from the Office of the Ombudsman.
6. Review and approve procedures for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal controls, or auditing matters; and (b) the confidential, anonymous submission by employees or volunteers of the Corporation of concerns regarding questionable accounting or auditing matters.

**G. Reporting Responsibilities**

1. Regularly report to the Board as to Committee activities and issues that may arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the qualifications, performance and independence of the independent auditors and the performance of the chief audit executive and internal audit function.
2. Provide an open avenue of communication among management, the Board, the chief audit executive, the independent auditors and U.S. Army Audit Agency.
3. Present to the Board such reports as are requested by the Board or required by the Corporation's Bylaws or this Charter or are deemed advisable by the Committee.

**H. Other Authority and Responsibilities**

1. Have such other authority and responsibilities as may be provided in the Corporation's Bylaws or may otherwise be delegated to the Committee by the Board.
2. Perform any other activities consistent with this Charter, the Corporation's Bylaws and applicable law, as the Committee or the Board deems necessary or advisable or as required by law or regulation.
3. Retain such outside counsel, experts and other advisors as the Committee may deem advisable in its sole discretion to provide advice or other support to the Committee in connection with investigations or otherwise. The Committee shall have sole authority to approve related fees and retention terms.
4. Oversee policies and procedures with respect to the Board's and management's expense accounts and perquisites.

5. Review reports from the Investment Committee and the Board of Trustees of the Endowment Fund regarding audit and reporting matters and meet once a year, or as needed, with the chair of the Investment Committee.

#### **IV. MEETINGS**

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities. The Chair of the Committee, in consultation with the other Committee members, shall determine the frequency and length of the meetings and shall set agendas consistent with this charter. The Committee shall keep minutes of all its proceedings and shall report its acts to the Board as soon as possible after a Committee meeting.

#### **V. QUORUM**

A majority of members of the Committee shall constitute a quorum. The act of a majority of the Committee members present at meeting at which a quorum is present shall be the act of the Committee.

#### **VI. EVALUATION OF COMMITTEE**

The Committee shall conduct an annual evaluation of its performance and report the results of such review to the Board. In connection with the annual review, the Committee shall also recommend to the Board any modifications of this Charter that the Committee deems necessary or appropriate.