



ACRUX LIMITED

AUDIT AND RISK COMMITTEE CHARTER

AUDIT AND RISK COMMITTEE CHARTER

1. OVERVIEW OF THE CHARTER

This Charter sets out the principles for the operation of the Audit and Risk Committee of Acrux Limited (the 'Company') established by the Board of the Company and should be read in conjunction with the Board Charter and statement of corporate governance principles.

2. OBJECTIVES AND PURPOSES

The objective and purpose of the committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to the Company's financial accounting practices, internal control systems, risk management procedures, external reporting and the external and internal audit function.

Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Charter in order to facilitate decision making by the Board.

3. DUTIES AND RESPONSIBILITIES

3.1 General Duties and Responsibilities

Without limiting section 2 above, the duties and responsibilities of the Committee are:

Financial Reporting

The Committee will oversee the Company's system of financial reporting for the purpose of safeguarding its integrity. Its responsibilities in this area include viewing all regular financial reports and other formal announcements relating to the Company's financial performance prepared for release to the ASX, regulators and the public, including half yearly and annual financial reports, before making appropriate recommendations to the Board in relation to:

- (a) key accounting policies and practices;
- (b) adequacy, accuracy and completeness of information;
- (c) compliance with applicable accounting standards, ASX Listing Rules and other legal requirements in relation to the financial reports;
- (d) the extent to which the financial reports are affected by any unusual transactions, and major elements of judgment, significant audit adjustments and audit recommendations that have not been adjusted;
- (e) the going concern assumption; and
- (f) The Chief Executive Officer and Managing Director and the Chief Financial Officer statements to the Board that the financial reports present a true and fair view, in all material aspects, of the Company's financial condition, compliance with Accounting Standards, Corporations Act 2001, ASX listing rules, Company's internal control framework and compliance with other relevant laws.

Internal Audit

The Committee will determine the extent of internal audit activities required and will monitor the effectiveness of those activities. Its responsibilities include:

- (g) approving the roles and responsibilities for the internal audit activities;
- (h) approving the internal audit objectives and risk based priorities;
- (i) approving the quality and objectivity of internal audit activities;
- (j) reviewing reports on major issues arising from the internal audit activities and reporting to the Board as appropriate;
- (k) undertaking access to those involved in the internal audit activities without the presence of management (save insofar as they are part of the internal audit activities);

External Audit

The Committee will monitor the performance and activities of the external auditor. Its responsibilities in this area include:

- (l) overseeing the process for the appointment, re-appointment and removal of the external auditors (including audit engagement letters), overseeing the rotation of the principal audit partner and reviewing the level of the external auditors' fees;
- (m) approve all non-audit services to be performed by the external auditor, including reviewing the level of non-audit service fees;
- (n) assessing the performance and independence of the external auditors and the quality of the audit work performed;
- (o) requiring, reviewing and monitoring compliance with the audit plan of the external auditors, including the scope of the plan and the levels of financial statement materiality;
- (p) reviewing reports from the external auditors and meeting with the external auditors at least once annually in the absence of management and also meeting with the external auditors as requested by the Board, the Committee or the external auditors; and
- (q) receiving, reviewing, developing and implementing policy on the engaging of the external auditors to supply non-audit services;
- (r) directing the external auditor reports directly to the Committee or the Board

Internal Control and Risk Management

The Committee will oversee and review the Company's financial and risk management compliance and internal control framework. Such review must occur at least half yearly. The Committee's responsibilities in this area include:

- (s) overseeing the creation, implementation and maintenance of the risk management system of the Company and its controlled entities and their internal control framework, including information, security and safety systems;

- (t) establishing a risk profile for the Company setting out both financial and non-financial material risks facing the Company;
- (u) reviewing the effectiveness of the Company's implementation of its risk management systems and internal controls on an on-going basis and reviewing the outcome of any non-financial audits;
- (v) seeking to reach a common understanding with management and auditors about the risk management process, key financial and regulatory risks and related controls including focusing on the 'key' risks which are considered to be currently, or may in the future be, more significant or more likely to occur;
- (w) analysing the effectiveness of the Company's risk management and internal compliance system and the effectiveness of their implementation;
- (x) developing an understanding of the overall business environment, relevant laws and codes of importance to the Company and the programs that the Company has in place to provide reasonable assurance of compliance;
- (y) meeting with designated members of management to discuss the Company's risk profile with the expectation of making recommendations to the Board on strategies which may be undertaken to execute business opportunities and or mitigate business risk;
- (z) reviewing the Company's occupational health and safety policies and ensuring regular reporting to the committee on issues related to occupational health and safety;
- (aa) considering and reviewing related party transactions
- (ab) reviewing insurance policies, coverage and claims trends, including in relation to professional indemnity and liability; and
- (ac) Assessing the effectiveness of and compliance with the Company's Code of Conduct.

3.2 Other Duties and Responsibilities

The Committee is required to:

- (a) review disclosures, including a statement in the annual report detailing the Committee's activities, the membership of the Committee, the number of Committee meetings and attendance over the course of the year, and the policy in relation to provision of non-audit services by the external auditors; and
- (b) in the event of the Board not accepting a recommendation by the Committee on the appointment, re-appointment or removal of the external auditors, make a statement explaining the recommendation and setting out the reasons why the Board took a different decision.

3.3 Provision of Services by External Auditor

In regard to the provision of non-audit services by the external auditors, the following guidelines have been agreed by the Board. The external auditors must not provide services which are considered to be in conflict with the role of the statutory auditor.

The services which must not be provided include investigations and consulting advice, or sub-contracting of activities normally undertaken by management, where the external auditors may ultimately be required to express an opinion on their own work.

Examples of services that should not be provided by the external auditors include:

- (a) preparation of accounting records and financial statements;
- (b) design and implementation of new IT systems and financial controls;
- (c) valuation services in relation to amounts which are included in the Company's accounts;
- (d) actuarial services;
- (e) internal audit services;
- (f) management functions, including senior management secondments;
- (g) recruitment and human resource services;
- (h) broker, dealer or investment advisor services;
- (i) legal services.

The external auditors will be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditors.

Examples of services that may be provided without Committee approval include:

- (j) tax compliance services;
- (k) advice on application of appropriate accounting standards;
- (l) audits or verification of regulatory returns.

The external auditors may be permitted to provide non-audit services where their detailed knowledge of the Company's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied.

These services, based on recommendations from management, must be approved by the Chair of the Audit and Risk Committee who will consult with the other members of the Committee, the external auditors and management, as appropriate.

Examples of such services include:

- (m) strategic tax advice;
- (n) due diligence on potential acquisitions/investments;
- (o) investigating accounting assignments;
- (p) corporate finance advice (deal structuring and execution), including independent accountant's statements.

The Committee will periodically assess the independence of the external auditor, considering the relationship and services provided and recommend to the Board, on a totally transparent basis, the appropriate disclosure in the annual accounts, including the full details of fees paid to the external auditors.

4. COMPOSITION AND STRUCTURE OF THE COMMITTEE

4.1 Number of Members

The Committee will consist of not less than three, members, each of whom will be appointed or removed by the Board, following in each case a review by the Board.

4.2 Independent Directors

Only non-executive Directors may be members of the Committee. A majority of members of the Committee must be independent Directors, as determined by the Board in accordance with the requirements of the ASX Listing Rules and the Board Charter and having regard to best practice principles from time to time.

4.3 Term of Office

Each member of the Committee will be appointed for a term of three years, subject to earlier resignation or removal by the Board. Upon completion of a term the member may be re-appointed to the Committee. Where practical, the term of office of the members of the Committee will be staggered so that the members retire on a rotational basis and a level of continuity of knowledge is achieved

4.4 Expertise

All members of the Committee must be financially literate. Unless the Board otherwise determines the Chair and at least one member of the Committee must have recent accounting or related financial expertise.

At least one member of the Committee must have an understanding of the sectors in which the Company operates.

4.5 Secretary

The Company Secretary will be secretary of the Committee and will attend all meetings of the Committee.

5. CHAIR

5.1 Chair

The Chair of the Committee:

- (a) will be elected by, and hold office for the period determined by, the members of the Committee;
- (b) must be a member of the Committee;
- (c) must be an independent Director; and
- (d) must not also be the Chair of the Board.

5.2 Chair of Meetings

In the absence of the Chair of the Committee, the remaining members will elect one of their number as Chair of the meeting.

The Chair of the Committee also has a casting vote, except that the Chair must not exercise a casting vote at any Committee meeting at which there are only two Committee members present.

6. PROCEEDINGS OF THE COMMITTEE

6.1 Frequency and Notice

The Committee will meet as frequently as required but must meet not less than two times in each financial year. Meetings, where appropriate, should coincide with key dates in the Company's financial reporting cycle.

The dates, times and venues of each meeting of the Committee will be notified by the secretary to all non-executive Directors a reasonable time in advance of the meeting.

The secretary to the Committee or any member may call a meeting of the Committee.

In addition, the Chair of the Board is required to call a meeting of the Committee when requested to do so by a Committee member, the Chief Executive Officer and Managing Director, the Chief Financial Officer or the external auditors.

6.2 Committee Papers

Supporting papers for each meeting of the Committee will be distributed by the secretary to:

- (a) each member of the Committee;
- (b) each non-executive Director who has advised the secretary that he or she will be attending that meeting of the Committee; and
- (c) each other person invited to attend, such distribution to such other persons being to the extent determined by the Chair of the Committee;

within a reasonable time in advance of the meeting.

6.3 Meeting Quorum

A quorum for a meeting of the Committee is two members. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers or discretions vested in, or exercisable by, the Committee.

6.4 Attendance of Others

The only persons entitled to be present at a Committee meeting are:

- (a) the members of the Committee; and
- (b) any non-executive Director who has advised the secretary that he or she will be attending that meeting of the Committee.

The Committee may extend an invitation to any person to attend all or part of the meeting of the Committee which it considers appropriate. In particular, the Committee may meet with:

- (c) the external auditors;
- (d) external advisers;
- (e) any executive or employee; or
- (f) any other non-executive Director.

6.5 Minutes of the meeting

Minutes of meetings of the Committee must be prepared and circulated to the Chair for approval within one month of the meeting, and once approved by the Chair, circulated as part of the Committee meeting information pack to all members of the Committee for approval at the next meeting.

7. INDEPENDENT ADVICE AND ACCESS TO INFORMATION

7.1 Independent Advice

The Committee is authorised to obtain and secure the services of outside legal and other independent professional advice.

7.2 Authority of the Committee

The Committee is authorised to investigate any activity or function of the Company, its controlled entities and, so far as it is practicable, its associates, in accordance with this Charter. The Committee is authorised to make recommendations to the Board regarding appropriate actions resulting from such investigations.

7.3 Access

The Committee has unrestricted access to all Company records and relevant information and rights to seek explanations and information from all senior management, employees and all tax and other financial advisers, legal advisers and the external auditors, without management being present.

8. REPORTING

8.1 Reporting to the Board

The Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose) must:

- (a) report to the Board on the Committee's proceedings:
 - (i) at the Board meeting next following each meeting of the Committee on all matters relevant to the Committee's duties, responsibilities and authorities;
 - (ii) immediately in the case of urgency; and
- (b) attend the Board meeting at which the Company's financial statements are approved.

8.2 Specific Reporting Issues

Without limiting clause 8.1 the Committee will report regularly to the Board by providing:

- (a) an assessment of whether external reporting is consistent with the Committee's information and knowledge, and if this external reporting is adequate for shareholder needs;
- (b) an assessment of the management process supporting external reporting;
- (c) any recommendations for changes to the financial statements;
- (d) the Committee's guidelines for the selection and appointment of the external auditors and for rotation of external audit engagement partners;
- (e) any recommendations for appointment or removal of external auditors;

- (f) a report on its assessment of the performance and independence of the external auditors and a statement for the Board for inclusion in the annual report as to whether the Committee is satisfied that the provision of any non-audit services is compatible with the independence of the external auditors;
- (g) any material issues arising from the internal audit activities; and
- (h) the results of its review of risk management and internal compliance and control systems.

9. REVIEW OF CHARTER

9.1 Review of Charter

The Company's Board of Directors approved this Charter on 20 February 2018.

The Board will review this Charter as often as the Board determines appropriate and make any changes it determines necessary or desirable.

9.2 Review of Performance

The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board. It may recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of this Charter.

10. ACCESS TO THE CHARTER

This Charter will be available for viewing by any person on the Company's website.