



AJ LUCAS GROUP LIMITED

AUDIT AND RISK COMMITTEE CHARTER

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AJ Lucas Group Limited

The Audit and Risk Committee (**Committee**) is a sub-committee of the Board of AJ Lucas Group Limited (**AJL**). This Charter (**Audit and Risk Committee Charter**) sets out the responsibilities of the Committee, its membership criteria and the manner in which the Committee's activities should be conducted.

The AJL Board will determine committee membership appointments and its terms of reference. Any changes thereto require Board approval. The membership and terms of reference of the Committee are to be reviewed every year.

Purpose

The purpose of the Committee is to assist the Board in carrying out its corporate governance and oversight responsibilities in relation to AJL financial reporting, internal control systems, the external audit, and risk management.

In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, external auditors and senior management.

The Committee is also responsible for overseeing the independence of external auditors.

Authority

The Board has approved the establishment of the Committee. Within the scope of its responsibilities, the Committee is generally authorised to:

- Seek any information from any employee or any external party.
- Obtain legal or other professional advice.
- Require the attendance of any AJL employee at its meetings.

Membership and meetings

The Committee will consist of a minimum of three members, all of whom are non-executive directors and the majority of whom are ideally independent. The Committee will be chaired by a non-executive and ideally independent chair, who is not chair of the board. The Committee Chairman will be appointed by resolution of the committee and where the chairman is not present the remaining members of the committee will appoint a chairman amongst them to fill the temporary vacancy.

All Committee members must be financially literate, or become financially literate within a reasonable period of time after appointment. At least one Committee member must have financial expertise and some members must have an understanding of the industry in which AJL operates.

A quorum consists of two members.

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All Directors can attend any meeting of the Audit and Risk Committee by prior arrangement with the Committee Chairman. The following may be invited to attend Committee meetings depending on the Agenda for the meeting in question, but will not have any right to vote on Committee resolutions:

- The Chief Executive Officer.
- The Chief Financial Officer.
- The Company Secretary.
- The External Audit representatives.

The Company Secretary is responsible for circulating the meeting agenda and committee papers to members in a timely manner ahead of any meeting. Formal minutes of each meeting will be taken by the Company Secretary and distributed to the Board on a timely basis. The Committee will meet at least twice a year and at other times as necessary. Any member of the Committee can request the Company Secretary call a meeting of the Committee. The Company secretary will, after consulting with all committee members, arrange a meeting to be held. Meetings can be held in person, electronically or by written resolution.

Committee Roles and responsibilities

The principal roles and responsibilities of the Committee are:

Financial reporting

- Assess whether the accounting methods applied by management are consistent and comply with accounting standards and concepts.
- Review and assess any significant estimates and judgements in financial reports and monitor the methods used to account for unusual transactions.
- Assess the processes used to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of AJL financial information.

External audit

It is the responsibility of the Committee to manage the relationship between AJL and the external auditor. The Committee's responsibilities extend to evaluating the performance, independence and integrity of the external auditor. Actions that the Committee will undertake to meet its responsibilities include:

- Make recommendations to the Board regarding the appointment of the external auditors and the terms of their engagement.
- Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed thereon.
- Consider the independence of the external auditor through active discussions with the external auditor about its relationships and their potential impact on its continuing independence

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- Approve in advance all audit and non-audit services provided by external auditors. Non-audit services that are perceived to be materially in conflict with the role of auditor should not be provided by the external auditor.
- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- Ensure that management responds to recommendations by the external auditors and agreed action items are addressed promptly.
- Review the performance of the external auditors.

Related party transactions

- Review and monitor the propriety of related party transactions ensuring disclosure obligations are met.

Risk management

Discuss with management and the External Auditor at least annually the adequacy and effectiveness of AJL's:

- Internal control systems.
- Policies and procedures to assess, monitor, and manage business, economic, environmental and social sustainability risks,
- Insurance program having regard to the insurable risks and the cost of this cover; and
- Legal and regulatory compliance programs.

Corporate governance

- Review documents and policies created by the Board that deal with corporate governance.
- Ensure that monitoring compliance with codes of conduct and other Board policy statements are considered for inclusion in audit programs performed by external parties.
- Periodically obtain updates regarding compliance.

Reporting

Following a meeting of the Committee, the Committee will report to the Board. The Report will include the following:

- review of the financial statements, adequacy of financial controls and the annual audit arrangement;
- assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholders needs;

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- assessment of the management processes supporting external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- recommendations for the appointment or, if necessary, the removal of the external auditor;
- assessment of the performance and independence of the external auditors; and
- the results of its review of risk management systems.

Other responsibilities

The Committee will:

- Perform other overview functions as requested by the Board.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- Review and update this Audit and Risk Committee Charter annually and receive approval of changes from the Board.
- Evaluate the Committee's own performance on a regular basis.