

# LIONHUB GROUP LIMITED

("the Company")

## AUDIT and RISK MANAGEMENT COMMITTEE CHARTER

This charter governs the operations of the Audit and Risk Management Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board of directors.

### Purpose

The Audit and Risk Management Committee is established to assist the Board of Directors in fulfilling its corporate governance and oversight responsibilities as well as advising on all matters related to the financial accounting and reporting, internal control structure, external audit as well as the appropriate ethical standards for the management of the Company.

The Committee reviews the processes in place for the identification, management and reporting of business risk and reviews the findings reported.

A further purpose of the Committee is to check the ongoing independence of the auditors. In doing so, it is the responsibility of the Committee to maintain free and open communication between the external auditors and management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Committee also monitors the processes which are undertaken by management and auditors.

In relation to **audit** the Committee will:

- oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information;
- review the effectiveness of the company's internal financial control;
- ensure an independent audit process;
- recommend the appointment of the external auditor;
- assess the performance of the external auditor;
- oversee the company's compliance with acts, regulations and its own Code of Conduct in relation to financial reporting; and
- report to the Board.

In relation to **risk management** the Committee will

- identify, analyse and assess internal and external business risks in the context of the Company's business strategies;
- establish appropriate levels of acceptable business risk;
- establish and review risk management and mitigation strategies;
- monitor the integrity and effectiveness of internal controls and reporting systems;
- report to the Board on the level of risk exposure and effectiveness of the risk management policy;
- review cover and scope of company insurances; and
- observe the recommendations of the ASX Corporate Governance Guideline on risk management and internal control.

### Membership

The Committee should consist of a minimum of three (3) non-executive directors, a majority of whom should be independent directors;

The Chairman of the Committee will be appointed by the Board and will not be the Chairman of the Board of Directors. The Chairman shall have leadership experience and strong finance, accounting and/or business background; and

The Committee will appoint a Secretary who will normally be the Company Secretary.

All Committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. Furthermore, at least one member shall have a reasonable level of accounting and/or related financial management expertise as determined by the Board of Directors.

### **Meetings**

The Committee shall meet at least three (3) times each year (immediately prior to the completion of the annual report, immediately prior to the completion of the half-yearly report and to review the annual audit plan) with the auditors and appropriate members of management. The purpose of these meetings shall be to:

- Review and if necessary have input into external audit plans.
- Review and approve the annual and half-year financial reports.
- Update the external audit plans.
- Review the risk management procedures implemented by management

Furthermore, the Committee shall meet in private session as and when required to assess management's effectiveness.

The Committee may invite any member of the executive management, the internal auditor, the external audit engagement partner or other individual to attend meetings of the Committee;

At meetings held to consider half-year and full year reports, the external audit engagement partner will be invited to present his findings, comments and suggestions resulting from the audit work performed; and

All directors, regardless of whether they are members of the Committee, are invited to attend the meetings and will be provided with copies of the Committee papers.

### **DUTIES AND RESPONSIBILITIES**

#### **Understanding the business**

The Committee shall ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

#### **Financial reporting**

- Review annual and half-yearly financial statements and other financial information distributed externally;
- Review significant accounting policies applied in financial reporting to ensure appropriateness for the organisation and compliance with accounting standards;
- Monitor the procedures in place to ensure that the Company is in compliance with all legislative reporting requirements.

The primary responsibility of the Audit and Risk Management Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.

Whilst the Committee has the responsibilities and powers set forth in this policy, it is not the duty of the Committee to plan or conduct audits.

The Board of Directors is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee will take

appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour.

### **Assessment of accounting, financial and internal controls**

- Review the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, report and manage business risk;
- Oversee risk management strategies in relation to currency hedging, debt management, capital management, cash management, investments and insurance; and
- Review declarations from management on compliance with statutory responsibilities.

The Committee shall discuss with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs with the objective of recommending enhancements and improving the quality of the accounting function. Any opinion obtained from the external auditors on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The Committee will oversee risk management strategies in relation to currency hedging, debt management, capital management, cash management, investments and insurance.

The Committee shall meet separately and periodically with management, and the external auditors to discuss issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The Committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the Committee. The Committee shall review with the external auditor any audit problems or difficulties and management's response. Further, the Committee shall review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

The Committee shall receive regular reports from the external auditor on the critical policies and practices of the Company, and any applicable alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

### **Risk Management**

- Reviews the Company's policies on risk oversight and management and satisfies itself that management has developed and implemented a sound system of risk management and internal control; and
- In consultation with the external auditor reviews the need for an internal audit function. The Committee will determine the extent the external auditor has reviewed the internal controls of the Company and the appropriateness of this review as to whether there is a need for an internal control function.

ASX Corporate Governance Principles and Recommendations provide fundamental principles and recommendations for a corporate governance framework.

In accordance with Principle 7 : Recognise and Manage Risk "companies should establish a sound system of risk oversight and management and internal control."

The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has charged the Committee with the responsibility to manage the introduction and ongoing discharge of risk management across all Company activities.

The Board understands that the ultimate responsibility for risk oversight and risk management rests with the Board including the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects.

### *Risk Management Objectives of the Committee*

The Committee takes ultimate responsibility to ensure the development and co-ordination of the risk management activities within the Company and to be the driving force in promoting the culture of risk management.

The Committee will facilitate the introduction and ongoing discharge of risk management into key areas of the Company's activities whilst the responsibility for implementation of control strategies and follow up remains with management. The key tasks of the Committee will include:

- the development of a risk management policy and methodology for the Company to be endorsed by Board. The Committee shall define and document its policy for risk management, including objectives for, and its commitment to, risk management; and
- to ensure appropriate management accountability for risk management exists as well as ensuring that appropriate systems and control procedures are established.

The Company recognises that it has exposure to economic, environmental and social sustainability risks which are managed through a series of internal and publically available policies, including but not limited to the Board Charter and the Code of Business Conduct,

### **Audit**

- Make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- Approve the audit fee and terms of engagement of the external auditors;
- Review external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the performance and independence of the external auditor

The Committee shall be directly responsible for making recommendations to the Board of Directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting. In assessing which external audit firm is to be engaged, factors such as reputation, knowledge of industry, resources, commitment and value added benefits to the Company should be considered. Further, if it is deemed necessary based on a lack of actual or perceived independence, the Committee shall request for the rotation of external audit engagement partners.

A Committee member or a delegated senior member of management can approve all audit and non-audit services provided by the external auditors other than in the instance where the fees fall outside budget parameters. In this instance, full audit Committee approval must be received for such a transaction.

The Committee, Committee member or delegated senior member of management shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

The Committee, at least on an annual basis, shall obtain and review a report by the external auditors describing the following:

- The audit firm's internal quality control procedures; and
- All relationships between the external auditor and the Company to assess the auditor's independence.

### **Independence of the external auditors**

The Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

### **Scope of the external audit**

The Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas, significant problems that may be foreseen and any additional agreed-upon procedures. The Committee should also discuss the impact of any proposed changes in accounting policies on the financial statements and review the nature and impact of any changes in accounting policies adopted by the entity during the year.

In addition, the Committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level. Further, the Committee shall liaise with the external auditors to ensure their approach to the review/audit of the annual and half-year statutory accounts are conducted in an effective manner.

### **Internal Audit Function**

The Company does not currently have an internal audit function. The Committee liaises with management and the external auditors to continually improve the effectiveness its internal control processes.

The Committee will recommend the establishment of an internal audit function when the scale of activity by the Company warrants its establishment.

### **Review of Key Reports**

The Committee shall review the annual report and half-year financial report prior to the filing of these with the ASX and distribution to the shareholders in the case of the annual report. The Committee is responsible for making the necessary recommendations to the Board for the approval of these documents.

The Committee shall discuss the results of the audit of the annual report, the half-year review and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards. It will be the decision of the Committee as to how they report the outcomes of these findings to the Board.

The Committee shall review all representation letters signed by management including the declaration from the Chief Executive Officer and chief financial officer on compliance with statutory responsibilities to ensure that the information provided is complete and appropriate.

### **Other duties**

The Committee is responsible for organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The Committee should report to the Board the results of the Committee's review of risk management and internal control systems.

The Committee should advise the Board as to whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty. The Committee is responsible for reviewing reports on any major defalcations, frauds and thefts from the Company.

**Administration**

A notice of each meeting confirming the date, time and venue together with the agenda and Committee papers shall be forwarded to each member of the Committee at least three working days prior to the date of the meeting.

The Committee shall appoint a Secretary who shall attend all Committee meetings and record minutes as minute secretary. All minutes of the Committee, when approved and signed by the Committee chairperson and tabled at the next following meeting of the Board, shall be kept and maintained for that purpose and shall be open at all time for inspection by any Director.

- A quorum shall comprise any two Committee members. In the absence of the Committee chairperson, the members shall elect one of their number as chairperson for that meeting.
- The Committee may, with the prior approval of the Board, instruct the Chief Executive Officer to engage independent advisors in relation to any matter pertaining to the responsibilities of the Committee.
- The Committee shall report to the Board annually, in writing, on all matters relevant to the performance of its role and the discharge of its duties during the period.

**Review of Committee**

This policy shall be reviewed by the Committee on a regular basis and a report provided to the Board, if require, recommending any necessary amendment and additional duties and responsibilities.

**Last Updated:**  
31 July 2015