

AUDIT AND COMPLIANCE COMMITTEE CHARTER

1.1 Introduction

It is the Board's responsibility to ensure the integrity of Alesco's financial reporting and systems of internal controls. It is also the Board's responsibility to oversee the establishment and implementation of the risk management system for the Group and its compliance with laws and its code of conduct.

To do this, the Board has put in place the following structure of review and authorisation designed to ensure the truthfulness and factual presentation of Alesco's financial position, the overall management of key risks facing the Alesco group and compliance with laws and relevant codes of conduct.

1.2 Establishment of an Audit and Compliance Committee

To assist the Board in performing this function, an Audit and Compliance Committee was first established in 1992. The existence of this Committee is not intended to fragment or diminish the responsibilities of the Board as a whole.

The role of the Audit and Compliance Committee is set out in this chapter and is adopted as a charter for these purposes.

This charter must be reviewed by the Board on a regular basis to ensure that it reflects the business and operational needs of Alesco as well as relevant corporate governance practices prevailing at the time.

1.3 Functions of the Audit and Compliance Committee

The primary function of the Audit and Compliance Committee is to assist the Board of Directors in monitoring the overall control, reporting and compliance framework, including whether:

- (a) the systems of control which management has established effectively safeguard the assets (both real and intangible) of Alesco;
- (b) the accounting records are properly maintained in accordance with statutory requirements; and
- (c) the financial information provided to the Board, shareholders, and potential investors and to the public is relevant and reliable.

In performing this function, the Committee's responsibilities include:

- (d) assessing whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (e) reviewing Alesco's reporting processes, accounting policies and practices (and any changes to them) to ensure that they are appropriate, up-to-date and relevant, comply with all relevant legislation, accounting standards and generally accepted practices and procedures;
- (f) ensuring that the full-year and, if applicable, half-year audits are conducted effectively and that there is compliance with all statutory requirements, including any announcements made to the ASX;
- (g) reviewing financial statements, management's representations to the Board and responses to questionnaires prior to their submission to the Board for approval;

- (h) approving the internal audit plan, its resourcing, authority and procedures functions and, where appropriate and necessary, recommending enhancements;
- (i) reviewing and monitoring the performance and objectivity of the internal auditor and the results of the internal audits with particular emphasis on evaluating and monitoring internal control systems;
- (j) recommending the appointment of auditors to the Board and for shareholders approval;
- (k) reviewing, in consultation with management, audit plans of the external auditors;
- (l) meeting with external auditors as required to discuss any issues raised by an audit and to review any recommendations;
- (m) assessing the performance and independence of the external auditors;
- (n) reviewing any internal or external audit reports to ensure that any deficiencies in controls or procedures are properly identified and remedied;
- (o) reviewing, in consultation with management, the annual compliance plan;
- (p) reviewing Alesco's system for monitoring compliance with all relevant laws and regulations and the results of management's investigations and follow up of non-compliance;
- (q) monitoring the risk profile of the Group and Alesco's risk management system which includes the identification and management of the key risks;
- (r) monitoring the adequacy of any insurance or self insurance program.

1.4 Membership

There must be at least three members on the Audit and Compliance Committee. These members must be non-executive Directors, the majority of whom are also independent Directors. The Board must appoint the Chairman. The Chairman of the Committee should not be the Chairman of the Board. No director holding a management position may be appointed to the Committee.

The Committee must include:

- (a) members who are all financially literate (ie are able to read and understand financial statements);
- (b) at least one member who has financial expertise (ie is a qualified accountant or other financial professional with experience of financial and accounting matters); and
- (c) at least one member who has an understanding of the industry in which Alesco operates.

The terms of appointment are at the discretion of the Board and vacancies may be filled as they arise.

Directors of the Board who are not members of the Committee are entitled to attend Committee meetings. Alesco's auditors (internal and external), members of the senior executive team and other third parties are invited to attend Audit and Compliance Committee meetings at the discretion and invitation of the Committee.

The Committee may meet with the auditors (both internal and external) without management's presence when required or thought appropriate.

The Committee also has the right of access to management to seek explanations and additional information as considered necessary to discharge its duties.

1.5 Meeting procedures

The Committee must meet as often as is required by the Board or as the Committee may determine in order to undertake its role effectively.

As far as is possible, notice of meetings and Committee papers must be provided to Committee at least five days in advance of the Committee meeting.

A quorum is two members. Each member has one vote. The Chairman does not have a casting vote. Those in attendance may not vote.

The Chairman of the Committee must ensure that minutes of its meetings are kept and that they are included in the papers for the next full board meeting after each Committee meeting.

1.6 Obligations of chief executive officer and chief financial officer

On or before the date the Directors sign any financial report to external stakeholders, the chief executive officer and chief financial officer are required to state in writing to the Board that, to the best of their knowledge:

- (a) the financial reports of Alesco present a true and fair view, in all material respects, of Alesco's financial position, performance and operational results and are in accordance with relevant legislation and accounting standards;
- (b) the statement given by them (see paragraph a) representing the integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
- (c) Alesco's risk management and internal compliance and control system is operating efficiently and effectively in all material respects and has done so during the reporting period and in accordance with all policies adopted by the Board.

The report to the Board should identify the amount and nature of all material breaches of policy or internal controls and provide an explanation of how the breaches have been remedied. The report should also identify and assess any material weaknesses in the policies or internal controls and how management proposes to deal with those weaknesses.

1.7 Appointment of internal auditors

To assist the Group and the Committee an internal audit function has been established in accordance with the Internal Audit Charter (**appendix 8**).

1.8 Appointment of external auditors

The Committee is responsible for overseeing the external auditor selection process, approving audit fees and ensuring the independence of the external auditor.

The auditor selection process includes inviting submissions from appropriately qualified audit practices, assessing each of the submissions received and making a formal recommendation to the Board on the

appointment of the external auditor. As part of this process, the Committee assesses certain criteria including:

- Independence
- Overall audit approach and methodology
- Relevant industry experience
- Experience and qualifications of key audit staff
- Cost and ability to service the Company, having regard to the location of its businesses.

In performing this responsibility, the Committee must regularly assess any non-audit services being performed by the auditors to ensure that the services are not of a kind that might impair the impartial judgment of the external auditor and that circumstances do not arise of actual or perceived loss of objectivity or independence.

Management is required to seek the prior consent of the Committee if it wishes to use the auditors for non-audit work (other than taxation compliance services and due diligence transactional services).

The auditors are required to attend the annual general meeting and general meeting of shareholders and any other meeting as required by the Board and be available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

1.9 Rotation of signing audit partners

To ensure independence of the external auditor, it is a requirement of Alesco that its auditor ensures that its signing partner on the audit does not perform this role for more than five full-year audits or such other period as may be deemed appropriate in the circumstances. In addition, the external auditor is required to make an independence declaration annually.

The Committee must ensure that there is smooth transition of audit services when a rotation of partners is required.

In addition, there must be a cooling off period of at least three years before an audit partner may become a director or executive of Alesco.

1.10 Reporting to the Board

The Committee must report to the Board on a regular basis containing all matters relevant to the Committee's role and responsibilities and the matters considered by the Committee at each particular meeting. Reports should contain all matters relevant to the Committee's role and responsibilities, including assessing whether external reporting is consistent with committee members information and knowledge and is adequate for shareholders needs.