



Audit Committee Charter

Purpose and Role

The primary objective of the Audit and Risk Committee (“ARC”, or “the Committee”) is to ensure that an audit oversight mechanism is in place to support the accuracy and fairness of L’azurde Company for Jewelry (the "Company") reports, financial statements and data; ensure integrity and effectiveness of Company’s internal control and risk management systems; ensure Company’s compliance with regulations;

The purpose of the Audit and Risk Committee Charter (the "Charter") is to set out the composition, responsibilities and duties of the Committee and identify the Committee's interaction with the Shareholders, Board of Directors (the "Board") and management.

The Committee is formed by resolution of the Ordinary General Assembly, and performs oversight with respect to:

Audit

- The Company's financial statements and other financial information provided by the Company to its shareholders, the public and others.
- The Company's compliance with legal and regulatory requirements.
- The performance of the Company's internal audit function and external statutory auditors.

Risk Management

- The Company’s strategy, framework comprehensive policies for risk management.
- Acceptable level of risk that may be faced by the Company.
- The Company’s risk management activities and any matters that may affect Company’s risk management.

Consistent with these functions, the Committee will encourage the continuous improvement of and foster adherence to the Company's policies, procedures and practices at all levels. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the internal and external statutory auditors.

ARC is considered a shareholder’s Committee, and is responsible before the Ordinary General Assembly for performance of its roles and responsibilities. The Committee may in performance of its duties, request any clarification or statement from the Board members or the Executive Management.

To perform his role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company’s business, operations, and risks. Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of the Company and all members may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity.

Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with all applicable rules and regulations. These are the responsibilities of management and the external statutory auditors.

Appointment, Composition and Qualification

The Committee will comprise of at least three (3) members and not exceed (5) members appointed by the General Assembly for a term coinciding with the term of the Board of Directors.

Executive Directors and the Board Chairman are not eligible for Committee membership. Any person who works or has worked in the Company's Finance Department, the Executive Management or for Company’s external auditor during the preceding two years is also not eligible for Committee membership. At least one of the Committee members shall be an Independent Director.



Members of the Committee shall meet the following conditions:

- Members shall be suitably qualified, experienced and knowledgeable to adequately discharge their responsibilities as ARC members.
- At least one (1) of the Committee members shall be well versed in financial and accounting matters.
- Members shall elect a chairman amongst themselves unless he is designated by the General Assembly.
- Members shall also elect a secretary of the Committee amongst themselves or others.

The Chairman shall preside, when present, at all meetings of the Committee. If the Chairman is absent from a Committee meeting, the members in attendance will elect a temporary Chairman amongst themselves during the meeting.

The members of the Committee may be removed / replaced, with or without cause, by the Ordinary General Assembly.

If a position in the Committee becomes vacant, the Board shall assign a temporary member to the ARC within 40 days of the vacancy, upon recommendation of the NRC. A permanent member shall be subsequently appointed by the shareholders in the first General Assembly after the position becomes vacant.

Meetings and Quorum

The Committee shall meet at least four times a year or more frequently required. The Committee shall convene periodically with the external statutory auditor and internal auditor.

The Committee shall also meet if requested by Committee Chairman, two Committee members, Board Chairman, Internal auditor and the External auditor at any time as may be necessary.

The Committee shall require members of management, the Internal Audit function (if outsourced the internal auditor appointed), the external statutory auditors and others to attend meetings and to provide pertinent information, as necessary.

It is expected that the Committee will receive regular reports on, but not limited to the following matters:

- External audit reports;
- Internal audit reports;
- Compliance audit reports;
- Risk management reports; and
- Security and fraud reports; etc.

A quorum at any Committee meeting shall consist of a majority of the Audit and Risk Committee members. Each member of the Committee shall have one vote. The Chairman's vote shall be the tie breaker (i.e. if votes on a particular decision are equal in number, the Chairman shall have one extra vote which will be the deciding vote).

All Committee resolutions and decisions shall be passed by simple majority. Dissenting members will not be liable if they have expressly recorded their objection to the resolution in the minutes of meeting that adopted it. Absence or leaving in the middle of meeting does not constitute cause for relief from liability unless it is established that the absent member was not aware of the resolution.

The Committee has the power to invite any officer or employee of the Company to attend its meetings. Such individuals should be invited through the Company's Chief Executive Officer ("CEO").

The Committee Secretary shall prepare an agenda for each meeting in consultation with the Committee Chairman and Committee members. The agenda shall be distributed to all members one (1) week in advance of the meeting, unless waived by mutual consent of all Committee members.



The Committee's meetings minutes shall be prepared in accordance with the following:

- The minutes shall specify the date and the place of meeting, the name of attendees and absentees, summary of discussions held in the meeting and their related decisions and recommendations shall be recorded;
- The draft minutes shall be prepared by the Committee's Secretary and shall be sent to all Committee members for review. Any comments on the minutes from any of the Committee members shall be provided to the Committee's Secretary;
- The Committee's Secretary shall subsequently amend the draft minutes based on the members' comments and send them along with the comments to the Chairman;
- The Secretary of the Committee shall finalize the minutes according to the Chairman's recommendations and send them to the Committee members;
- Minutes of meeting shall be signed by all members in attendance, the Chairman and the Secretary;
- The signed copy of the minutes shall be kept attached with its related documents and correspondence in a special file.

Induction

New members of the Committee will undergo an induction process which will ensure that they are adequately acquainted with the Committee's purpose, responsibilities and practices.

New members will be provided with a copy of this Charter, corporate governance manual, the code of conduct, information on key issues for the Committee as well as specific information about the Company relevant to the Committee.

Responsibilities and Duties

To fulfil its responsibilities and duties, the Audit and Risk Committee shall:

With respect to the external statutory auditors

1. Providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;
2. Verifying the independence of the external statutory auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
3. Supervising and being directly responsible for oversight of the work of the external statutory auditors (including resolving disagreements between management and the external statutory auditors regarding financial reporting) for the purpose of preparing its audit report or related work;
4. Reviewing, with the external statutory auditors, the audit plan, scope of work and approach and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and providing its opinion thereon;
5. Having the sole authority to review in advance and recommend to the Board all auditing services to be provided by the external statutory auditors (final approvals of such services rests with the Board);
6. Reviewing and approving all non-auditing services to be provided by the external statutory auditors (which should be disclosed in the periodic reports);
7. Implementing the instructions and directives of the Capital Markets Authority as well as any updates released from time to time, with respect to the appointment of the external statutory auditors;
8. Reviewing the external statutory auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith; and
9. Review the performance of the Company's external statutory auditors on an annual basis.

With respect to financial statements

1. Reviewing and discussing with management and the external statutory auditors, the Company's interim financial statements (including disclosures made in "Management's Activity Report" and the external statutory auditors' review of the interim financial statements - including comments of the statutory auditor), and;
2. Approving the interim financial statements on behalf of the Board, prior to submission to shareholders, any governmental body, or the public;
3. Reviewing and discussing with management and the external statutory auditors, the Company's annual audited financial statements (including disclosures made in "Management's Activity Report") prior to such statements being presented to the Board for approval. The Committee will give its opinion and recommendations to the Board with respect to such statements to ensure their integrity, fairness and transparency;
4. Reviewing and approving disclosures required to be included in financial statements in accordance with all regulatory requirements;
5. Analyzing any important or non-familiar issues contained in the financial reports;
6. Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;
7. Periodically reviewing, separately with each of management and the external statutory auditors:
 - Any significant disagreement between management and the external statutory auditors in connection with the preparation of the financial statements;
 - Any difficulties encountered during the course of the audit (including any restrictions on the scope of work or access to required information); and
 - Management's response to each of the above.
8. Periodically discussing with the external statutory auditors, without management being present:
 - Their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting;
 - The completeness and accuracy of the Company's financial statements;
 - The Company's accounting principles and financial disclosure practices as suggested by the external statutory auditors, management or the Internal Audit function, and if appropriate, consider and approve changes to the same.
9. Accurately investigating any issues raised by the Company's CFO or any person assuming his/her duties or the Company's compliance officer or external auditor;
10. Reviewing with management, the external statutory auditors and the Company's legal department, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including significant changes in accounting standards or rules;
11. Examining the accounting estimates in respect of significant matters that are contained in the financial reports;
12. Reviewing the accounting policies in force and advising the Board of any recommendations;
13. Inquiring about the application of the Company's accounting policies and its consistency from period to period and the compatibility of these accounting policies with, where appropriate, the Company's provisions for future occurrences which may have a material impact on the Company's financial statements;
14. Obtaining explanations from management for unusual variances in the Company's annual financial statements from year to year, and annually reviewing the external statutory auditors' letter of recommendations to management and management's response.

With respect to the internal audit function and internal controls

1. Supervising the Company's internal audit function to ensuring its effectiveness in executing the activities and duties;
2. Recommending to the Board the appointment and replacement of the CIA, and suggesting his/her remunerations. The Committee shall also review the qualifications of the CIA. The Executive Management shall manage the process of identifying and shortlisting suitable candidates for this position;
3. Reviewing the performance and effectiveness of the internal audit function internally on an ongoing basis and externally once every five (5) years;
4. In the event the internal audit function is outsourced, reviewing and recommending to the Board the appointment, removal and fees of such internal audit firm. The Committee shall also ensure that there are no unjustified restrictions or limitations on the appointment, replacement or dismissal of the outsourced internal audit firm;
5. Ensuring the internal audit function is independent from Executive Management; the internal auditor shall report functionally to the Committee and administratively to the CEO;
6. On a regular basis, meeting separately with the internal auditor to discuss any matters that the Committee or internal audit believes should be discussed privately;
7. Reviewing and approving the internal audit plan and all major changes to the plan;
8. Reviewing the internal audit reports and pursuing the implementation of the corrective measures in respect of the comments included in such reports;
9. In consultation with the external statutory auditors and the Internal Audit function:
 - Reviewing the adequacy of the Company's internal control structure and risk management system, and the procedures designed to insure compliance with laws and regulations including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing;
 - Discussing the responsibilities, budget and staffing needs of the Internal Audit function (if any).
10. Establishing procedures for:
 - The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
 - The confidential, anonymous submission, by employees of the Company, of concerns regarding questionable accounting or auditing matters.

With respect to Risk Management

1. Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors;
2. Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level;
3. Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
4. Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein;
5. Ensuring that key risks are reviewed on a quarterly basis;
6. Providing recommendations to the Board on matters related to risk management;
7. Ensuring the availability of adequate resources and systems for risk management;
8. Receiving bi-annual reports on incidents and complaints and ensure that any corrective actions taken following such incidents and complaints are adequate;



9. Considering and agreeing any necessary action identified in the reviews following serious incidents, or from reviews undertaken by internal or external audits; and

With respect to Compliance

1. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of any management investigation and following-up (including disciplinary action) of any instances of noncompliance;
2. Reviewing the findings of any examinations by regulatory agencies, and any audit observations;
3. Obtaining regular updates from management and company legal counsel regarding compliance matters; and
4. Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and

Other Responsibilities

1. Ensuring that corrective action is taken or recommended in order to adequately resolve complaints, issues or disputes raised by the Company's stakeholders;
2. Reviewing any management decision to seek a second opinion from external statutory auditors other than the Company's regular external statutory auditors with respect to any significant accounting issue;
3. Ensuring the Company's management promptly responds to the internal auditors' recommendations within a reasonable time frame;
4. Providing approvals for any transactions as per the authority limits delegated to it by the Board;
5. Preparing audit committee report for the shareholders, which shall include details of Committee's performance against the assigned responsibilities and duties, provided that the report contains its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in L'azurde;
6. Periodically reviewing and reassessing the adequacy of this Charter and recommending to the Board any improvements to this Charter, in preparation for approval by the General Assembly.

Conflict between ARC and the Board

If a conflict arises between the recommendations of the Committee and the Board resolutions, or if the Board refuses to put the Committee's recommendations into action as to appointing or dismissal the Company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the Committee's recommendations and justifications, and the reasons for not following such recommendations.

Arrangements for providing remarks

The Committee shall develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports.

The Committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy, and shall adopt appropriate follow-up procedures.

Resources and Authority

In order to fulfil the responsibilities set out in this Charter, the Committee is authorized by the Ordinary General Assembly to:

- Review Company's records and documents;
- Request any Board clarification or statement from the Board members or the Executive Management; and



- Request that the Board calls for a General Assembly meeting if its activities have been impeded by the Board or if L'azurde has suffered significant losses and damages.

The Committee also has power to retain independent legal, accounting and other consultants' advise. The Committee's budget for appointing independent consultants shall be approved by the Board.

The Committee shall determine the extent of funding necessary for payment of compensation to the external statutory auditors for the purpose of rendering or issuing the annual audit report and to any independent legal, accounting and other consultants retained to advise the Committee. The Committee may require any officer or employee of the Company or any of its subsidiaries, the Company's outside legal counsel, and the Company's external statutory auditors to meet with the Committee or any member of the Committee.

Reporting

Shareholders

The Chairman of the Committee, or his delegate from Committee members or other Board Directors, shall attend the General Assembly Meetings and answer any questions raised by the shareholders regarding the Committee's activities and mandate.

The Committee is responsible before the Ordinary General Assembly for performance of its assigned responsibilities, and shall prepare an Audit Committee's report, summary of which shall be read at the General Assembly.

The Board shall make available sufficient copies of the Audit Committees' report at the Company's head office, and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof.

Board of Directors

The Committee, through its Chairman, shall inform the Board at each Board meeting, on any matters that, in the opinion of the Committee, needs to be brought to the attention of the Board and any matter requiring Board action.

Remuneration

Having regard to the functions performed by the members of the Committee, in addition to their functions as members of the Board or committees formed by the Board, members of the Committee shall be paid additional remuneration in respect of their appointment as shall be fixed by the Board and as approved by the General Assembly.

The Committee Chairman shall receive a further fee, in addition to his/her remuneration as a member based on Nominations and Remuneration Committee recommendation.

Adoption and Changes to the Charter

This Charter shall be approved by the General Assembly, upon Board's recommendation. Any changes to the Charter that the Committee or the Board proposes should be aligned with regulations and Company bylaws, and should also be approved by the General Assembly.