

# MALAYSIAN BULK CARRIERS BERHAD

## AUDIT COMMITTEE CHARTER

The purpose of the Audit Committee (AC) is to assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, system of internal control and risk management, audit process, and the Company's process for monitoring compliance laws and regulations and the code of conduct.

## TERMS OF REFERENCE

### 1. Composition

- 1.1 The AC shall consist of at least three (3) members elected among the members of the Board, all of whom are Non-Executive Directors, with a majority of them being Independent Non-Executive Directors.
- 1.2 The members of the AC shall elect a chairman from among their number, who shall be an Independent Non-Executive Director.
- 1.3 At least one (1) member of the AC must be a member of the Malaysian Institute of Accountants or fulfils such qualifications and requirements as prescribed or approved by Bursa Securities.
- 1.4 In the event of any vacancy in AC resulting in the non-compliance of 1.1, 1.2 and 1.3 above, the Board shall, upon recommendation of Nomination & Remuneration Committee, fill the vacancy within 3 months of that event.
- 1.5 No alternate Director shall be appointed as a member of the AC.
- 1.6 A former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the AC.

### 2. Authority

- 2.1 The AC is empowered to, in accordance with the procedures determined by the Board of Directors and at the cost of the Company:
  - 2.1.1 investigate any matters within its terms of reference;
  - 2.1.2 have full and unrestricted access to all information in relation to the Company and its subsidiaries ("the Group");
  - 2.1.3 have direct communication channels with the External Auditors and Internal Auditors;
  - 2.1.4 obtain external independent professional advice or assistance necessary to discharge its responsibilities;
  - 2.1.5 convene closed meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of management and employees of the Company, whenever deemed necessary;
  - 2.1.6 appoint, compensate and oversee the work of the External Auditors; and
  - 2.1.7 resolve any disagreement between management and the External Auditors regarding financial reporting.

### **3. Meetings and Attendance**

The AC shall meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require.

The quorum for a meeting shall consist of a majority of Independent Non-Executive Directors. Directors, employees, auditors or others may attend meetings upon the invitation of the AC. Where necessary, the AC will conduct private meetings with auditors.

Due notice of issues should be given and conclusions in discharging the AC's duties and responsibilities should be recorded.

### **4. Circular Resolution**

A resolution in writing signed by all members shall be valid and effectual as if it had been passed at a meeting of the AC. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members.

### **5. Duties and Responsibilities**

5.1 The AC shall review the following and report the same to the board of directors of the Company:

- (a) the quarterly results and annual financial statements of the Group prior to the approval by the Board of Directors, focusing on:
  - (i) changes in or implementation of major accounting policy and practices;
  - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how the matters are addressed; and
  - (iii) compliance with accounting standards and other regulatory requirements;
- (b) any related party transaction and conflict of interest situation that arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (c) with External Auditors:
  - (i) the audit plan, audit report and the assistance rendered by employees of the Company;
  - (ii) their evaluation of the system of internal controls;
  - (iii) the audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and reasons for resignation or dismissal as External Auditors;
  - (iv) the management letter and management's response;
  - (v) issues and reservations arising from audits; and
  - (vi) assess their suitability, objectivity and independence annually.

- (d) with Internal Auditors:
  - (i) the scope, functions, competency and adequacy of resources, authority, audit plan, internal audit programme and results, processes or investigation undertaken and the action taken on their recommendations;
  - (ii) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations; and
  - (iii) the appraisal or assessment of the performance of the Chief Audit Executive of the internal audit function including that of senior internal audit staff and any matter concerning their appointment and termination.
- 5.2 To review and recommend for the Board's approval, the provision of non-audit services by the External Auditors and to ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the External Auditors.
- 5.3 Consider other topics as defined by the Board of Directors.
- 5.4 Report its activities, issues and related recommendations to the Board of Directors, and any matter which has not been satisfactorily resolved, thus resulting in a breach of the Listing Requirements.

## **6. Reporting to the Board**

The AC shall report its actions and any recommendations to the Board and shall conduct and present to the Board an annual performance evaluation of the AC. The AC shall review at least annually the adequacy of this terms of reference and recommend any proposed changes to the Board for approval.

Updated on 25 February 2019