

# MALAYSIAN BULK CARRIERS BERHAD

## TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

The purpose of the Audit & Risk Management Committee ("ARMC") is to assist the Board of Directors in fulfilling its responsibilities relating to 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.

The ARMC's role includes oversight of integrity of the Group's financial reporting and practices and management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

### 1. Composition

- 1.1 The ARMC 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 ARMC 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 ARMC must be a member of the Malaysian Institute of Accountants or fulfils such qualifications and requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 1.4 In the event of any vacancy in ARMC 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 ARMC.
- 1.6 A former key audit partner must observe a cooling-off period of at least three years before being appointed as a member of the ARMC.

### 2. Authority

- 2.1 The ARMC 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 the resources which are required to perform its duties;
  - 2.1.3 have full and unrestricted access to all information in relation to the Company and its subsidiaries ("the Group");
  - 2.1.4 have direct communication channels with the External Auditors and Internal Auditors;
  - 2.1.5 obtain external independent professional advice or assistance necessary to discharge its responsibilities;
  - 2.1.6 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;

- 2.1.7 appoint, compensate and oversee the work of the External Auditors; and
- 2.1.8 resolve any disagreement between management and the External Auditors regarding financial reporting.

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

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

The quorum for a meeting shall be a minimum of two (2) members and the majority of members present shall be Independent Non-Executive Directors. In the absence of the Chairman of ARMC, the remaining members present shall amongst themselves elect a Chairman who must be Independent Non-Executive Director to chair the meeting.

Directors, employees, auditors or others may attend meetings upon the invitation of the ARMC. Where necessary, the ARMC will conduct private meetings with auditors.

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

The ARMC shall report to the Board on any matter that should be brought to the Board's attention and provide the recommendation that require the Board's approval.

### **4. Voting**

A matter put to vote at the meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote.

A member who has interest in a contract or proposed contract or transaction or arrangement or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in voting.

### **5. Circular Resolution**

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

### **6. Duties and Responsibilities**

The ARMC shall, review the following and report the same to the Board of Directors of the Company:

#### **In relation to Quarterly Results and Financial Statements**

- (i) the quarterly results and annual financial statements of the Group prior to the approval by the Board of Directors, focusing on:
  - (a) changes in or implementation of major accounting policy and practices;
  - (b) 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
  - (c) compliance with accounting standards and other regulatory requirements.

### **Matters relating to External Audit**

With External Auditors:

- (i) the audit plan, audit report and the assistance rendered by employees to the External Auditors.
- (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;
- (vi) assess their suitability, objectivity and independence annually, as set out in Appendix A of the Terms of Reference; and
- (vii) 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.

### **Matters relating to Internal Audit**

With Internal Auditors:

- (i) the scope, functions, competency and adequacy of resources, authority, internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether appropriate action is taken on their recommendations;
- (ii) the appraisal or assessment of the performance of the Head of Internal Audit of the internal audit function including that of senior internal audit staff and any matter concerning their appointment and termination.

### **Risk Management and Internal Control**

- (i) review and discuss with management the Group's risk governance structure, risk management scope and framework, risk assessment and risk management guidelines, policies and processes and the adequacy and effectiveness of the Group's risk management policies and internal control systems;
- (ii) review and discuss with Management the Group's risk appetite and strategy relating to key risks, including credit risks, liquidity and funding risk, market risk, product risk, relationship risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks;
- (iii) before a decision to proceed is taken on by the Board, advise the board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Group, and taking independent external advice where appropriate and available;
- (iv) discuss with the Head of Risk Management (if one is appointed), the Group's risk assessment and risk management guidelines, policies and processes, as the case may be;

- (v) review reports from Management on the enterprise risk management process and regularly discuss major risk exposures and the steps Management has taken to monitor and control such exposures.
- (vi) receive, as and when available, reports from the Group's Internal Audit function on the results of risk management reviews and assessments and to review reports on any material breaches of risk limits and the adequacy of proposed action;
- (vii) review and evaluate the effectiveness of the actions and measures taken to mitigate the risk identified;
- (viii) approve the appointment and, when and if appropriate, replacement of the Head of Risk Management, who shall have a reporting relationship with the ARMC;
- (ix) review the adequacy of resources allocated for effective management of risk within the Group;
- (x) review disclosure regarding risk statements to be included in the annual report concerning the adequacy and effectiveness of the Group's risk management systems.
- (xi) review reports on selected risk topics as the ARMC deems appropriate from time to time;
- (xii) benchmark risk management practices of the Group against international recognised standards and companies in the similar industry; and
- (xiii) to discharge any other duties or responsibilities delegated to the Committee by the Board.

#### **Related Party Transactions**

- (i) 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.

#### **Other Matters**

- (i) review the Terms of Reference of the ARMC and make recommendations to the Board for approval;
- (ii) review the Audit & Risk Management Committee Report and Statement on Risk Management and Internal Control and make recommendations to the Board for approval;
- (iii) Consider other topics as defined by the Board of Directors; and
- (iv) Report its activities, issues and related recommendations to the Board of Directors, and any matter which has not been satisfactorily resolved, this resulting in a breach of the Listing Requirements.

## **7. Reporting to the Board**

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

Adopted on 9 December 2021.

## **Procedures to assess the suitability, objectivity and independence of the External Auditors**

### **1. Selection and Appointment**

The Committee should follow the following procedures for selection and appointment of external auditors:

- (a) identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) assess the proposals received and shortlist the suitable audit firms;
- (c) meet and/or interview the shortlisted candidates;
- (d) seek the assistance of the Financial Controller to perform items (a) to (c) above;
- (e) recommend the appropriate audit firm for the Board's approval; and
- (f) the Board will if deemed appropriate, endorse the recommendation and seek shareholders' approval for the appointment of the new external auditors at the general meeting.

### **2. Annual Assessment and Re-appointment**

The following procedures should be followed during the process of annual assessment and re-appointment of the external auditors:

- (a) the Committee through an external auditors' evaluation form, assess the performance of the existing external auditors based on the auditors' independence, audit resources allocation, audit methodology, audit quality, communication effectiveness with the Committee;
- (b) the Committee to table the result of the assessment and its recommendation to the Board for consideration; and
- (c) upon due consideration, re-appointment of the external auditors would be recommended by the Board for seeking shareholders' approval at the general meeting.

### **3. Independence**

The Committee shall review the independence of the external auditors annually. In ensuring the independence of the external auditors, the Committee shall obtain written assurance from the external auditors, confirming that the external auditors are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the terms of all relevant professional and regulatory requirements.

The Committee should also consider all relationships between the Company and the external audit firm in assessing the independence of the external auditors. The external auditors should be precluded from giving any services that may impair their independence or conflict with their role as external auditors.