



BUMIARMADA

**BUMI ARMADA BERHAD
(370398-X)**

AUDIT COMMITTEE

TERMS OF REFERENCE



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1. Status

- 1.1 The Audit Committee ("Committee") is a committee of the Board of Directors ("Board") of Bumi Armada Berhad ("BAB" or "Company").

2. Function

- 2.1 The function of the Committee is to assist the Board in fulfilling its oversight responsibilities. The Committee will review the BAB Group's¹ financial reporting process, the system of internal control and management of enterprise risk, the audit process, and the Group's process for monitoring compliance with law and regulations (including compliance with anti-bribery & corruption and sanctions provisions) and its own code of business conduct, as well as such other matters, which may be specifically delegated to the Committee by the Board, from time to time.

3. Composition

Requirements

- 3.1 The Committee shall consist of at least three (3) non-executive Board members, a majority of whom shall be independent non-executive directors. In determining independence, the Board will observe the requirements of Paragraph 1.01² of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), and any relevant Bursa Securities Practice Notes that may be issued by Bursa Securities from time to time and/or any relevant recommendation of Malaysian Code of Corporate Governance.
- 3.2 Each member of the Committee should be financially literate and must be able to read, analyse, interpret and understand financial statements, including the Group's balance sheet, income statement, and cash flow statement to effectively discharge their functions.

1

"Group" refers to BAB, its subsidiaries and the entities jointly-controlled by BAB.

2

Under Paragraph 1.01 of the MMLR of Bursa Securities, an independent director is a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Group and who:

- (a) (deleted);
- (b) is not, and has not been within the last 3 years, an officer of the applicant, listed issuer or any related corporation of such applicant or listed issuer (each corporation is referred to as "said Corporation"). For this purpose, "officer" has the meaning given in Section 2 of the Companies Act but excludes a director who has served as an independent director in any one or more of the said Corporations for a cumulative period of less than 12 years;
- (c) is not a major shareholder of the said Corporation;
- (d) is not a family member of any executive director, officer or major shareholder of the said Corporation;
- (e) is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation;
- (f) has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by the Exchange, or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Exchange;
- (g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange, or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the applicant or listed issuer) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange; or
- (h) has not served as an independent director in any one or more of the said Corporations for a cumulative period of more than 12 years from the date of his first appointment as an independent director.



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3. Composition

3.3 At least one member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if not a member of the Malaysian Institute of Accountants, must have at least 3 years' working experience and must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by Bursa Securities.

Appointment

3.4 The Board must appoint the members of the Committee from members of the Board. Alternate directors must not be appointed as members of the Committee. The members of the Committee must elect a Chairman from among themselves who shall be an independent non-executive director. The Chairman of the Committee shall, in consultation with the other members of the Committee, be responsible for calling meetings of the Committee, establishing the agenda for meetings of the Committee and supervising the conduct thereof.

3.5 The Committee shall not elect any former key audit partner as a member unless he/she has observed a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

A former key audit partner includes the engagement partner and any other audit partner on the engagement team who makes key decisions on significant matters with respect to the audit of the Company and Group's financial statements on which the auditor has an opinion.

3.6 In order to form a quorum in respect of a meeting of the Committee, the majority of members present must be independent directors.

3.7 The Board shall review the composition, term of office, performance and effectiveness of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference. Any vacancy due to the retirement or resignation of the Committee members as members of the Board, or for any other reason which results in non-compliance of Committee composition requirements, specified in paragraph 3.1 or 3.3 above, must be filled within three (3) months.



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4. Authority

The Committee is authorised by the Board, in accordance with procedures to be determined by the Board (if any) and at the cost of the Company to:

- 4.1 Investigate any matter within its terms of reference;
- 4.2 Have adequate resources to perform its duties;
- 4.3 Have full and unrestricted access to any of the Group's information, records, properties and personnel;
- 4.4 Have direct communication channels with external and internal auditors and all employees of the Group;
- 4.5 Obtain external independent professional advice and invite outsiders with relevant experience to attend meetings and to advise the AC, if necessary; and
- 4.6 Convene meetings with the internal and external auditors (excluding the attendance of other directors and employees of the Group), whenever deemed necessary.

5. Responsibilities

The role of the Committee is set out below. The order in which each of the items is given below is not an indication of its order of importance or priority.

The Committee shall:

Risk Management and Internal Control

5.1 Review Systems of Risk Management:

Review with members of the respective staff of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the adequacy and effectiveness of the Group's processes to identify key risks and the systems to monitor and manage these risks.

5.2 Review Systems of Internal Controls:

Review with the external auditors, the internal auditors, the General Counsel and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staff, the adequacy and integrity of the Group's internal controls, the Group's financial, auditing and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices, applicable laws and regulations and to review arrangements by which the Group's employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other business and commercial related matters.

- 5.3 Seek the management's annual assurances that the Company's risk management internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Company.



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5.4 Addressing Fraud and Corruption Risks

In conjunction with risk oversight, the Committee shall ensure that the Company has programs and policies in place to prevent and identify fraud and corruption. The Committee shall work with management to oversee the establishment of appropriate anti-fraud and anti-corruption controls and programs and take the necessary steps when fraud is detected.

The Committee also ensures that complaints in relation to ethics and code of conduct via the various speak up channels are investigated and acted upon.

Financial Reporting

5.5 Review Financial Statements:

5.5.1 Review with the appropriate officers of the Group and the external auditors, the annual and quarterly financial statements of the Group including the announcements pertaining thereto, prior to recommending the same for approval by the Board, focusing on, inter alia:

- Quality, accuracy and adequacy of the financial disclosure;
- Changes in accounting policies and practices, and implementation of such changes;
- Significant and unusual events;
- Significant adjustments arising from the audit;
- The going concern assumption;
- Compliance with applicable approved accounting standards, legal and regulatory requirements;
- Other matters as defined by the Board.

5.5.2 Review and ensure corporate disclosure policies and procedures of the Group comply with the disclosure requirements as set out in MMLR.

5.5.3 Discuss among the Committee members, without the presence of the Management or the external auditors if deemed necessary, the financial information obtained.



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5.6 **Review Other Accounting, Audit and Financial Matters:**

- 5.6.1 Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Group as the Committee may, in its own discretion, deem desirable in connection with the audit functions described above.
- 5.6.2 Review and put forth its recommendations to the Board of the Group:
- (a) annual capital expenditure (CAPEX) budget or any material revisions thereto;
 - (b) annual operating expenditure (OPEX) budget, or any material revisions thereto;
 - (c) unbudgeted CAPEX or overruns OPEX pursuant to the Limits of Authority (“LOA”);
 - (d) any changes relating to the Group’s capital structure (which is not contemplated in the applicable business plan previously approved by the Board); and
 - (e) bid bond/performance guarantee pursuant to the LOA relating to project, charter and other revenue contract.
- 5.6.3 Monitor the opening and closing of new bank accounts and appointment of bank signatories for the subsidiaries and joint ventures as notified by Management from time to time.
- 5.6.4 Monitor the provision of parent guarantee or other security as collateral for a debt of a subsidiary (by subsidiary companies) as notified by Management from time to time.

5.7 **Review Related Party Transactions:**

Review, report and/or recommend to the Board, any related party transactions entered into by or that may arise within the Group, including the review and monitoring of recurrent related party transactions for which shareholders’ mandate has been granted, to determine whether:

- Such transactions are undertaken on the Group’s normal commercial terms, as well as considering the appropriateness of such transactions;
- The internal control procedures with regard to such transactions are sufficient and have been complied with; and
- There is compliance with other relevant provisions of the MMLR and Practice Notes that may be announced by Bursa Securities from time to time,

5.8 **Review Conflict of Interest Situations and Internal Investigations:**

- 5.8.1 Review and report to the Board, any conflict-of-interest situations that arose, persist or may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts.
- 5.8.2 Review major findings of internal investigations and management responses.

Internal Audit

5.9 **Review Independence of Internal Auditors:**

Review the internal audit function to determine whether its activities are performed independently and with impartiality, proficiency and due professional care. The Committee shall determine the authority and the area of responsibility of the internal audit function.



5.10 Review Internal Audit Plans:

- 5.10.1 The Head of Internal Audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group and will report directly to the Committee.
- 5.10.2 Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department, their audit plans, adequacy of the scope including to ensure the principal risk areas and key processes are adequately identified and addressed in the plans, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work. The Committee shall at least once a year undertake a review to ensure the effectiveness of the internal audit function and the adequacy of their terms of reference.
- 5.10.3 Review and report to the Board, the adequacy of the scope, functions, competency and resources of the internal audit functions and that the Internal Audit Department has the necessary authority to carry out its work, and whether appropriate actions are taken on the recommendations by the Internal Audit Department, the performance of their staff, the effectiveness of their internal audit functions and the adequacy of their terms of reference.

5.11 Review Internal Audit Reports:

- 5.11.1 Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department, the internal audit programme, the internal audit processes, results of the internal audit programme or investigations undertaken and whether or not action is taken on the recommendations of the Internal Audit Department.
- 5.11.2 Review the extent of assistance and co-operation given by the Group and the Group's employees to the internal auditors.

5.12 Review Internal Audit Department's Performance:

Review any appraisal or assessment of the performance of the staff of the Internal Audit Department.

5.13 Appointment/Termination of the Head of Internal Audit and Senior Internal Audit Staff:

- 5.12.1 Recommend to the Board to approve the appointment or termination of the Head of Internal Audit.
- 5.12.2 Approve the appointment or termination of senior staff members of the Internal Audit department.

5.14 Take Cognisance of Internal Auditors' Resignation:

Take cognisance of staff resignations of the Internal Audit Department and provide the resigning staff an opportunity to submit his/her reason for resigning.

5.15 Approve the Internal Audit (IA) Charter:

Approve the IA Charter, which defines the purpose, authority, scope and responsibility of the IA function in the Group.

External Audit

5.16 Appointment, Resignation and Dismissal of External Auditors:

Recommend to the Board annually, and at other appropriate times, the firm to be retained as the Group's external auditors, their terms of engagement, the external auditors' independence, objectivity and cost-effectiveness, and remuneration to be paid to the external auditors in respect of the audit services provided and on any questions of resignation or dismissal, and to review any letter of resignation from the Group's external auditors and whether there is reason to believe that the external auditors are not suitable for re-appointment.



5.17 **Review Independence of External Auditors:**

In connection with recommending the firm to be retained as the Group's external auditors, review the information provided by the Management and the external auditors relating to the independence and objectivity of such firm, including, information relating to the non-audit services which was provided, and expected to be provided by the external auditors.

The Committee is responsible for (1) requiring the Group's external auditors to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the external auditor and the Group, consistent with Independence Standards Board Standard No. 1³ modified as appropriate based on the Malaysian guidelines for auditors' independence; (2) actively engaging in dialogue with the Group's external auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the external auditors; (3) taking, or recommending that the Board take appropriate action, to oversee the independence and objectivity of the external auditors; and (4) reviewing whether there is reason (supported by grounds) to believe that the Group's external auditors are not suitable for the reappointment.

5.18 **Review of non-audit services by External Auditors:**

The Committee shall ensure that the provision of non-audit services by the external auditors comply with the external audit independence policy. The Audit Committee is to also review all tax services except those related to the audit (such as the review of tax provision), which would be included in the audit fees.

All non-audit services by external auditors are subject to the Audit Committee's approval.

5.19 **Review External Audit Plans:**

5.19.1 Review with the Group's external auditors and report to the Board, their audit plan, nature, approach, scope and cost-effectiveness of their annual audit and other examinations, including their evaluation of the system of internal controls, to ensure their scope of work adequately addresses the Group's activities.

5.19.2 Ensure co-ordination where more than one (1) audit firm is involved and between the Group's internal and external auditors.

5.20 **Conduct of External Audits:**

5.20.1 Review the independence and objectivity of the external auditors annually.

5.20.2 Review the extent of assistance and co-operation given by the Group and the Group's employees to the external auditors.

5.21 **Review External Audit Results:**

Review with the Group's external auditors the report of their annual audit, or proposed report of their annual audit, the management letter and response, and if any, the reports of their reviews of the Group's interim financial statements, the problems and reservations arising from the interim and final audits, including significant audit adjustments and the reports of the results of such other examinations outside of the course of the external auditors' normal audit procedures that the Group's external auditors may undertake, from time to time.

3

Independence Standards Board Standards (ISBS) are maintained by the US American Institute of Certified Public Accountants (AICPA). ISB Standard No. 1, *Independence Discussions with Audit Committees* applies to any auditor intending to be considered an independent accountant with respect to a specific entity within the meaning of the Security Acts ("the Acts") administered by the Securities and Exchange Commission. At least annually, such an auditor shall:

- (a) disclose to the audit committee of the company (or the board of directors if there is no audit committee), in writing, all relationships between the auditor and its related entities and the company and its related entities that in the auditor's professional judgment may reasonably be thought to bear on independence.
- (b) confirm in the letter that, in its professional judgment, it is independent of the Company within the meaning of the Acts; and
- (c) discuss the auditor's independence with the audit committee.



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5.22 **Review Recommendations of External Auditors:**

Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department recommendations made by the external auditors, as well as such other matters, if any, as such persons or other officers of the Group may desire to bring to the attention of the Committee.

5.23 **Verify the Allocation under a Share Issuance Scheme**

Verify the allocation of options pursuant to a scheme to the Group's eligible employees as being in compliance with the criteria which has been disclosed to employees of the Group and our executive Directors and established pursuant to the Company's Employees' Share Option Scheme (ESOS) and Management Incentive Plan (MIP) at the end of each financial year.

5.24 **Review Compliance to Laws and Regulations:**

Review with the respective staff of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the processes for monitoring compliance with legal, regulatory and statutory requirements.

Other Responsibilities

5.25 **Review Other Matters:**

- 5.25.1 Arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other business or commercial related matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action to be taken.
- 5.25.2 Group's Statement on Internal Control with the external auditors, and management for inclusion in the Annual Report.
- 5.25.3 Efficiency and efficacy of operations of the Group and any other matters, which would improve the governance of the Group's operations.
- 5.25.4 Other matters as the Committee considers appropriate or as defined by the Board.

Reporting Responsibilities

5.26 **Report to the Board:**

Report its activities to the Board (including without limitation, the matters referred to in paragraphs 5.1 to 5.25 (inclusive)) in such manner so as to allow the Board sufficient time to prepare the audit committee report in accordance with the requirements of paragraph 15.15 of the MMLR of Bursa Securities.

5.27 **Report Breaches to Exchange:**

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.



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6. Meetings

- 6.1 The Committee shall meet at least four (4) times during each financial year or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Committee may request other Board members, any officer or employee of the Group, the Group's external legal counsel, internal or external auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. For the avoidance of doubt, such invitees shall not be entitled to vote at such meeting. The Committee may meet with Management and others in separate private sessions to discuss any matter that the Committee, Management, internal or external auditors or such other persons believe should be discussed privately. Such meetings should offer free and open communication among the Committee, Management, internal auditors and external auditors. The Committee shall meet with the Group's external auditors and internal auditors in separate private sessions at least twice in each financial year without executive board members and senior management present. The Group's internal or external auditors may request a meeting with the Committee if they consider that one is necessary to consider any matter the Group's internal or external auditors wish to bring to the attention of the Directors or shareholders of the Group. Upon such request, the Chairman shall promptly call a meeting of the Committee for the above purpose.
- 6.2 The Committee may request any relevant officer or employee of the Group or the Group's external auditors to discuss key external or internal audit issues.
- 6.3 In addition to its four (4) meetings each financial year, the Committee may take action by unanimous written consent of its members, including dealing with matters by way of circular resolutions in lieu of convening a formal meeting.
- 6.4 The Committee may regulate its own procedure, in particular in the conduct of the Committee meetings, including attendance at a meeting by being present in person or by participating in the meeting by means of video or teleconference. The Committee should record its deliberations, in terms of the issues discussed, and the conclusions in discharging its duties and responsibilities, with the minutes kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall provide the Board with a report of the Committee meetings at each financial quarter meeting.
- 6.5 The Chairman of the Committee should engage on a continuous basis with senior management such as the Chairman, the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group.

7. Audit Committee Report

- 7.1 The Committee must prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Group's annual report. This draft report must disclose:
- The Committee's composition, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - The Committee's terms of reference;
 - The number of Committee meetings held during the financial year, details of attendance of each Committee member and the details of relevant training attended by each committee member;
 - A summary of Committee's activities in discharging its functions and duties for that financial year; and
 - A summary of the activities of the internal audit function or activity; and
 - a summary of any conflict of interest or potential conflict of interest situation reviewed by the Committee pursuant to paragraph 15.12(1)(h) of the MMLR of Bursa Securities (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.



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8. Secretary of the Audit Committee

8.1 The Company Secretary or any person as appointed by the Committee shall be the Secretary of the Committee. The Secretary shall:

- Ensure all appointments to Committee are properly made;
- Ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues;
- Record, prepare and circulate the minutes of the Committee meetings promptly to all members of the Board; and
- Ensure that the minutes are properly kept and produced for inspection if required.

9. Consultants

The Committee may retain, at such times and on such terms as the Committee determines in its sole discretion and at the Company's expense, special legal, accounting or other consultants to advise and assist it in complying with its responsibilities as set forth herein.

10. Training

The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

11. Annual Self-Assessment

The Committee shall conduct a self-assessment annually to monitor their overall effectiveness in meeting their responsibilities and report the results to the Board. All such evaluations or assessments should be properly documented.

12. Annual Review of the Terms of Reference of the Committee

The Committee will review and reassess the adequacy of the terms of reference of the Committee annually, and where necessary obtain the assistance of management, the Group's external auditors and external legal counsel, and recommend proposed changes to the Board for approval.