# THE UNITED BASALT PRODUCTS LIMITED

**AUDIT AND RISK COMMITTEE CHARTER**

**Document Information**

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# Constitution

* 1. The Audit and Risk Committee (the “Committee”) is duly constituted as a sub-committee of the Board of Directors of The United Basalt Products Limited (the “Company”). This Charter has been
* Endorsed by the Board of the Company on May 12, 2005;
* Reviewed on 21 September 2023 by the Audit and Risk Committee and Corporate Governance Committee on 21 September 2023 and 15 October 2023 respectively and endorsed by the Board on 10 October 2023 following the merger of the Audit Committee and the Risk Monitoring Committee;

1. **Membership**
   1. The Committee shall consist of not less than three not more than 5 non-executive directors appointed by the Board, on recommendation of the Nomination Committee, with at least two (2) who shall be independent.
   2. The Chairperson of the Committee shall be one (1) of the independent non-executive Director, nominated by the Board. In the absence of the Chairperson, the remaining members present shall elect one of themselves to chair the meeting.
   3. The Chairperson of the Board, the CEO, the CFO and any executive director shall not be eligible to be appointed as a member of the Committee.
   4. The Board shall satisfy itself that the Chairperson and at least one (1) member of the Committee has relevant financial experience.
   5. The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
   6. Only members of the Committee have the right to attend committee meetings. However, the external auditor and CFO will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
   7. Appointments to the committee shall be for a period of up to three years extendable by no more than two (2) additional three-year periods.
2. **Secretary**
   1. The Company Secretary or his/her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable thorough consideration to be given to the items on the agenda.
3. **Quorum**
   1. The quorum for decisions of the Committee shall be any two (2) members when the no of members is 3 and 3 if the no of members is 4 or 5.
4. **Meetings**
   1. The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and at such other times as may be required.
   2. Outside of the formal meetings, the Committee Chairperson will maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chairperson, the CEO, the CFO, the external audit lead partner and the head of internal audit.
5. **Notice of meetings**
   1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
   2. Meetings should be organized so that attendance is maximized.
   3. The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed and supporting papers shall, other than under exceptional circumstances, be circulated to each member of the Committee not less than four (4) working days prior to the date of the meeting.
6. **Proceedings of Meetings**
   1. The meetings and proceedings of the Committee shall be governed by the Company’s Constitution regulating the meetings and proceedings of Directors, unless varied by these terms of reference.
   2. The Secretary of the Committee shall take minutes of meetings, which shall be circulated to the members of the Committee. The Chairperson may, at discretion, decide to circulate the minutes of the meetings to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the Chairperson, obtain copies of the Committee’s minutes.
7. **Annual General Meeting**
   1. The Chairperson of the Committee shall attend the annual general meeting to answer shareholder questions on the Committee’s activities.
8. **Duties**

The Committee should carry out the duties for the Company, its subsidiaries and for the group as a whole, as appropriate.

* 1. **Financial Statements**
     1. The Committee shall monitor and review the quality and integrity of the financial statements of the company, including its annual and interim reports and any other formal statements relating to its financial performance, and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
     2. In particular, the committee shall review and challenge where necessary:
        1. The consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Company/group;
        2. Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements
        3. The methods used to account for significant or unusual transactions where different approaches are possible
        4. Significant adjustments resulting from the audit
        5. Whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor’s views on the financial statements
        6. The clarity and completeness of disclosures in the financial statements and the context in which statements are made
        7. All material information presented with the financial statements, including the corporate governance statements pertaining to the audit
        8. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board
        9. The basis on which the company has been determined as a going concern
        10. Capital adequacy and internal controls
        11. Compliance with the financial conditions of any loan covenants; and
        12. The Committee shall review any other statements requiring Board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules.
  2. **Narrative Reporting**

Where requested by the Board, the Committee should review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the company’s performance, business model and strategy.

* 1. **Internal Controls**

The Committee shall:

* + 1. Keep under review the adequacy and effectiveness of the Company’s internal controls systems and effectiveness.
    2. Review and approve the statements to be included in the annual report concerning internal control.
  1. **Information Technology Governance**

The Committee shall:

* + 1. Review the adequacy and effectiveness of the information technology (IT) governance framework
    2. Review IT Policies and strategies
    3. Where necessary set up a steering group to assist with the IT governance framework, inviting any relevant employee of the Company or third-party expert to assist
    4. Assess significant investments in information technology
    5. Receive regular reports to keep under review the adequacy and effectiveness of the IT governance framework, including security aspects
  1. **Compliance, Whistleblowing and Fraud**

The Committee shall:

* + 1. Review the adequacy and security of the company’s arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
    2. Review the Company’s procedures for detecting fraud.
    3. Review the Company’s systems and controls for the prevention of bribery and receive reports on non-compliance.
    4. Review regular reports from the Compliance Officer or Compliance Consultant and keep under review the adequacy and effectiveness of the Company’s compliance function.
    5. Review significant transactions not directly related to the Company’s normal business as the Committee may deem appropriate.
    6. Address questions of conflicts of interest and related party transaction, misconduct or fraud, or any other unethical activity by employees or the Company.
    7. Ensure compliance with the requirements of the articles of association, laws and regulations of any other applicable statute and of controlling bodies.
  1. **Internal Audit**

The Committee shall:

* + 1. Approve the appointment or termination of appointment of the internal auditor.
    2. Review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.
    3. Ensure the internal auditor has direct access to the Board Chairperson and to the Committee’s Chairperson and is accountable to the Committee.
    4. Review and approve the internal audit plans to ensure it is aligned to the key risks of the business.
    5. Receive report on the results of the internal auditor’s work on a periodic basis.
    6. Review and monitor management’s responsiveness to the internal auditor’s findings and recommendations.
    7. Meet with the head of internal audit at least once a year without the presence of management.
    8. Monitor and review the effectiveness of the Company’s internal audit function, in the context of the Company’s overall risk management system.
    9. Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the organisation’s internal control, cases of employee fraud, misconduct or conflict of interest.
    10. Consider whether an independent, third-party review of processes is appropriate.
    11. Review the adequacy of the Company’s arrangements in view of safeguarding its assets against unauthorized use or disposal.
  1. **External Audit**

The Committee shall:

* + 1. Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company’s external auditor.
    2. Ensure that, at such intervals as may be prescribed by prevailing laws in relation to rotation of auditors, the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened and the committee should obtain written or verbal proposals to enable it to arrive at its recommendation.
    3. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
    4. Oversee the relationship with the external auditor including (but not limited to):
       1. Recommendations on their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.
       2. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
       3. Assessing annually the external auditor’s independence and objectivity taking into account relevant law, regulation and other professional requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
       4. Satisfying itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor’s independence and objectivity.
       5. Monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit firm.
       6. Assessing annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process.
       7. Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved).
       8. Seeking to ensure coordination of the external audit with the activities of the internal audit function.
       9. Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor’s communications with the Committee.
    5. Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, if needed, at least once a year, meet with the external auditor without management being present, to discuss the auditor’s remit and any issues arising from the audit.
    6. Discuss with the external auditor the factors that could affect audit quality.
    7. Review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
    8. Consider whether any significant ventures, investments or operations are not subject to external audit.
    9. Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
    10. Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
        1. A discussion of any major issues which arose during the audit
        2. The auditor’s explanation of how the risks to audit quality were addressed
        3. Key accounting and audit judgements
        4. The auditor’s view of their interactions with senior management
        5. The effectiveness of the audit process
        6. Key audit matters
    11. Review any representation letter(s) requested by the external auditor before it is (they are) signed by management.
    12. Review the management letter and management’s response to the auditor’s findings and recommendations.
    13. Develop and implement policy on the supply of non-audit services to avoid any threat to its objectivity and independence, taking into account any relevant ethical guidance on the matter.
  1. **Risk monitoring**

The Committee shall:

* + 1. Assist the Board in the discharge of its duties relating to the definition of the risk philosophy and risk management policies of the group, including the setting of the risk appetite as well as the monitoring of the risk governance process and recommend to the Board.
    2. Review all major policies proposed by management with respect to risk management before being submitted to the Board.
    3. Review and assess the integrity of the risk control systems and ensure that the risk policies are effectively managed.
    4. Monitor the risk portfolios of the company set against the risk appetite as decided by the Board.
    5. Review and assess the risk policies recommended by the executive management and ensure compliance of such policies with the risk philosophy as well as the risk appetite of the Group defined by the Board. The key risks relevant to the Group are those defined in the Enterprise Risk Management Framework, which may be reviewed from time to time.
    6. Consider and approve the remit of the risk management function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in adequate independence.
    7. Gain an understanding of the current areas of greatest business and financial risks and assess how management is managing these effectively.
    8. Consider and approve the Business Continuity Plans and Crisis Communication Plans proposed by management, in relation to identification of major risks, for efficient recovery after incidents.
    9. Ensure that the Risk Register is regularly reviewed by the Chief Risk Officer and management and is updated according to changing circumstances.
    10. Review with management and with the internal and external auditors the adequacy, implementation and overall effectiveness of the Group’s risk management function.
    11. Review and assess internal and external auditors’ reports on the significant risks and exposures of the Group observed during their audit and ensure that risks identified are being monitored effectively.
    12. Assess the risk exposures pertaining to new investments opportunities.
    13. Ensure that large exposures are within the limits set by the risk appetite. Obtain explanations for any excess and ensure that corrective measures are undertaken.
    14. Review, with appropriate expert assistance, the adequacy of insurance coverage.
    15. Review the Group’s policies and ensure adherence thereto, paying special attention to sections dealing with the prevention of frauds and bribery.
    16. Recommend to the Board the appointment and/or removal of a Chief Risk Officer.

1. **Remuneration of Members**
   * 1. Members of the Committee shall be paid such specific fee in respect of their appointment as shall be approved by the Board, having regard to the functions performed by them in addition to their functions as Directors in relation to the activities of the Committee and pursuant to the specific power conferred upon the Board by the Constitution of the Company.
     2. Such specific fee shall be in addition to the annual fees payable to the Directors.
2. **Reporting**
   * 1. The Chairperson of the Committee shall report the matters considered by the Committee to the Board and also make whatever recommendations the Committee deems appropriate on any area within its remit where action or improvement is needed. The report shall include:
     2. The significant issues that it considered in relation to the financial statements and how these were addressed.
     3. Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor.
     4. Any other issues on which the Board has requested the Committee’s opinion.
     5. The Committee shall compile a report on its activities to be included in the Company’s annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor. In compiling the report the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board’s assessment of whether the Company is a going concern.
3. **Authority**

The Committee is authorised to:

* + 1. Seek any information it requires from any employee of the company in order to perform its duties.
    2. Obtain, at the company’s expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.
    3. Call any employee to be questioned at a meeting of the committee as and when required.
    4. Have the right to publish in the Company’s annual report, details of any issues that cannot be resolved between the Committee and the Board

1. **Other matters**

The Committee shall:

* + 1. Have access to outside or other independent professional advise as it deems necessary to carry out its duties.
    2. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
    3. Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.
    4. Give due consideration to laws and regulations, the Code, SEM Listing Rules and any other applicable rules, as appropriate.
    5. Be responsible for oversight of the coordination of the internal and external auditors.
    6. Oversee any investigation of activities which are within its terms of reference.
    7. Work and liaise as necessary with all other Board committees.
    8. review its terms of reference, as required, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.