

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Version 1.0 dated 7th Feb 2021

I. Regulatory Framework:

Clause 5 (1) (c) read with the applicable Clauses of Corporate Governance Code of Bangladesh Securities and Exchange Commission require the Board to clearly set forth in writing the duties of the Audit Committee.

This Terms of Reference of the Audit Committee is framed as per the requirements of the aforesaid governance code.

II. Constitution

The Board has resolved to establish a Committee of the Board to be known as the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of:

- a. The integrity of Company's financial statements;
- b. Company's risk management and internal control arrangements;
- c. Company's compliance with legal and regulatory requirements;
- d. The performance, qualification and independence of the external auditors; and
- e. The performance of the internal audit function.

III. Membership

- a. The membership of the Committee is as appointed by the Board from time to time from amongst the non-executive directors;
- b. The Committee comprises of three members including Independent Directors;
- c. Each member of the Committee should be "financially literate". One member of the Committee should be a "financial expert" who shall have accounting or related financial management background and 10 (ten) years of such experience. The "financial expertise" of this member is adjudged by the Board in accordance with the requirements of current legislation and regulation, and in the light of relevant codes of practice;
- d. The Independent Directors will be appointed by the Board and approved by the shareholders for a term of three years and term can be extended for another three years. A former Independent Director may be considered for re-appointment for another tenure after a time gap of one tenure, i.e., three years from his or her completion of consecutive two tenures (i.e. six years);
- e. Except Independent Director, the membership of other directors is subject to annual re-election by the shareholders;
- f. The Committee has a Chairman selected by the Board who shall be an Independent Director.

- g. When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee.
- h. The members of the Committee can be changed/removed at the discretion of the Board of Directors at any time.

IV. Secretary

The Company Secretary shall act as the Secretary of the Committee.

V. Meetings

- a. The Committee meets at least four times a year, with authority to convene additional meetings as circumstances require;
- b. Meetings are convened by written notice served on each of the members by the Secretary of the Audit Committee, such notice to be served at least two days prior to the meeting;
- c. All members of the Committee are expected to attend each meeting;
- d. The quorum necessary for the transaction of businesses shall be two Committee members, the quorum of the Nomination and Remuneration Committee meeting shall not constitute without presence of at least 1(one) Independent Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, duties and discretions vested in or exercisable by the Committee;
- e. Meetings of the Committee may be attended by the Managing Director, Chief Financial Officer, Chief Auditor, Chief Legal Officer, the lead partner of the external auditors, and other Directors and executives at the invitation of the Committee;
- f. In the absence of the Committee Chairman, the remaining members shall elect any of them present to chair the meeting;
- g. Formal decisions are made by a simple majority vote, with the Chairman of the meeting holding a casting vote; and
- h. The Secretary shall be responsible, in conjunction with the Chairman of the Committee, for compiling and circulating the agenda and papers for the meeting. The Secretary will also be responsible for liaising with the Executive Team to ensure that all papers, reports etc. required by the Committee are forwarded to them in a timely manner.

VI. Minutes of the Meetings

- a. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;

- b. Conflicts of interest must be declared by Committee members at the beginning of meetings and the Secretary should record any such declaration in the minutes;
- c. The Committee Secretary shall promptly circulate draft meeting minutes to the Committee Chairman for review and subsequently to all members of the Committee. Meeting minutes shall be confirmed at the next meeting of the Committee and tabled as soon as practicable thereafter at a meeting of the Board.

VII. Annual General Meeting

The Committee Chairman shall present at the Annual General Meeting and respond to any questions regarding the Committee's activities at the Annual General Meeting of the Company's Shareholders.

VIII. Duties & Responsibilities

a. Risk Management and Internal Control

The Committee shall:

- i. Evaluate whether;
 - The Management has been able to build up the appropriate administration culture regarding the importance of internal control system and risk management;
 - Employees have been provided clear instruction on their duties & responsibilities and full control on their work
- ii. Review the recommendations as provided time to time by the internal and external auditors to build a strong internal control framework have been administered by the Management or not;
- iii. Review the existing Risk Management process to ensure effective mitigation & control system;
- iv. Inform the Board regularly after review of the steps taken against findings of forgery, limitations of internal control system or identification of similar sectors by the internal, external and inspection team, if any, of regulatory authority;
- v. Monitor the effectiveness of the Company's risk based internal control system, make such recommendations as the Committee considers desirable. Among other things the committee shall have access to all reports of the Head of Internal Audit and Control and the External Auditors and information relating to policy and management responsibilities with regard to risk management and internal control, the adequacy of disclosure controls and procedures (including related certification and attestation processes), the avoidance of illegal payments and improper accounting practices, and identified weaknesses in the effectiveness of risk and control management.

b. Financial Reporting

The Committee shall:

- i. Review whether the financial statements are contained with full and applicable disclosures and are prepared in accordance with the policies and procedures and in compliance with accounting and reporting standards required by law and regulators;
- ii. Oversee the financial reporting process;
- iii. Monitor choice of accounting policies and principles;
- iv. Discuss with the external auditors and management before finalization of financial statements;
- v. Review and discuss the integrity of Annual Audited Company Financial Statements and Quarterly Financial Statements with Management and the External Auditors, including the financial contents of (and the Notes to) the Financial Statements and Management's commentary or discussion and analysis of the financial information and recommend to the Board for approval;
- vi. Monitor and recommend interim results announcements and any other formal announcement relating to its financial performance;
- vii. Review statement of all related party transactions submitted by the Management;
- viii. Review the Management's Discussion and Analysis before disclosing in the Annual Report.

c. Internal Audit

The Committee shall:

- i. Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from Management or other restrictions;
- ii. Review and monitor Management's responsiveness to the findings and recommendations of the internal auditor;
- iii. Review and assess the annual internal audit plan;
- iv. Review the adequacy of internal audit function;
- v. Monitor and review the expertise and effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- vi. Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;
- vii. Approve the appointment and removal of the Head of Internal Audit function. The Committee shall consider, at least annually, the standards employed by the internal audit function, quality assurance procedures and auditor competence.
- viii. Recommend to the Board for changing accounting principles, if any;

- ix. The Head of Internal Audit & Compliance shall have direct access to the Committee Chairman and to the Committee as a whole, and any member of the Committee shall also have direct access to the Head of Internal Audit & Compliance.

d. External Audit

The Committee shall:

- i. 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. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- ii. Review the annual audit activities and audit report;
- iii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- iv. Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- v. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
- vi. Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.
- vii. Review the Management's response to the auditor's findings and recommendations.

e. Compliance with existing Laws & Regulations

Review compliance with existing laws and regulations of the relevant regulators and policies approved by the Board.

IX. Reporting Responsibilities

- a. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- b. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- c. The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.
- d. The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-
 - i. Report on conflicts of interest;

- ii. Suspected or presumed fraud or irregularity or material defect in the internal control system;
- iii. Suspected infringement of laws, including securities related laws, rules and regulations;
- iv. Any other matter which shall be disclosed to the Board of Directors immediately.

X. Reporting to the Authority

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the Management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Securities and Exchange Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.

XI. Others

The Committee shall also:

- a. Review annually its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- b. Report to the Board quarterly, regarding corrective measures taken against error, fraud, deceit, or other irregularities identified by the auditors (internal or external) or regulatory authority;
- c. Undertake any other projects relating to its remit which it considers appropriate or as requested by the Board.

XII. Authority

The Committee is authorized by the Board:

- a. To seek any information it requires from any employee of the Company in order to perform its duties;
- b. To obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- c. To call any employee to be questioned at a meeting of the Committee as and when required; and
- d. To gain unrestricted access to all books and records of the Company