

AUDIT COMMITTEE – TERMS OF REFERENCE

BW Epic Kosan Ltd.

**Adopted by the Board on 11th February 2020
(Reviewed Q2 2021, next review Q2 2022)**



Audit Committee (“AC”) - Terms of Reference

Purpose and Objectives

To support the Board of Directors of BW Epic Kosan Ltd. (“Board”) to fulfil its oversight responsibilities in the following areas:

- Financial statement preparation and integrity
- Risk management and internal controls, including Internal Audit (“IA”) where applicable
- External audit
- Corporate governance and compliance with Company policies and practices

Appointment and Membership

The AC and its Chairman shall be appointed by the Board.

The AC shall comprise at least two, but no more than three, Directors of the Board. The Chairman and the majority of members shall be non-executive Directors.

Members will be appointed for a 2-year term and be subject to re-appointment by the Board.

The CFO of the Company, or such other person nominated by the Board, shall be the Secretary of the AC.

A quorum of any AC meeting shall be 2 non-executive Directors.

Meetings

The AC shall meet in person or via tele or video conference not less than four times a year, at appropriate times in the reporting and audit cycle and whenever else deemed necessary.

The AC may invite such other persons (e.g. Chairman, CEO, CFO, General Manager Finance, auditors or others) to attend calls or meetings and provide pertinent information or comment, as necessary.

The AC may meet separately with Management. The AC may meet (a) with the external auditors, and (b) with the internal auditors, where applicable, in each case without the presence of Management.

The external auditors and internal auditors, where applicable, may request a meeting with the AC whenever they deem it to be necessary. The AC shall normally accede to all such requests.

Meeting agenda will be prepared and provided to members in advance, along with appropriate briefing materials. Minutes will be kept by the Secretary and drawn up for the AC’s approval.

Reviews

To ensure that the AC is fulfilling its stewardship duties to the Board, the AC shall review, at least annually, its Terms of Reference, and shall recommend to the Board any appropriate amendments for approval.

Reporting Requirements

The AC shall update the Board about its activities periodically and report to the Board, identifying any matters in respect of which it considers that a decision, or action is required. The AC shall also advise the Board if any improvement is needed and make appropriate recommendations to the Board as to the steps to be taken for such an improvement to be made.

Responsibilities


1. Overseeing Financial Reporting

The AC shall:

- Monitor the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company
- Review the Company's annual report before submission to the Board, focusing particularly on the following matters: (a) any changes in accounting policies and practices; (b) major judgmental areas; (c) significant adjustments resulting from audit; (d) the going concern assumptions and any qualifications; (e) compliance with accounting standards; (f) compliance with the listing rules and other legal requirements in relation to financial reporting; and (g) compliance with financial covenants.
- Review the Company's quarterly reports before submission to the Board for approval and/or before they are made public
- Gain an understanding of the current areas of greatest financial risk and how these are being managed
- Ensure that significant adjustments, unadjusted differences, disagreements with Management and critical accounting policies and practice are discussed with the external auditor

2. Overseeing Risk Management and Internal Controls including IA, where applicable

The AC shall:

- Evaluate the overall existence and effectiveness of the internal control and risk management frameworks on a regular basis and consider whether recommendations made by the external auditors and, if applicable, internal auditors have been appropriately dealt with by Management
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- Review the adequacy and effectiveness of the risk management and internal control systems including proper authorization and approval processes, information technology security, and other areas, which may have material impact upon financial reporting
- Monitor and assess the role and effectiveness of the IA function, if applicable, including the plans, activities, budget and resources.
- Review financial covenants & liquidity
- Review pending litigation, which may have material impact upon financial reporting
- Review and approve any charter party related concession in excess of US\$200,000 to original accurate outstanding invoice, this may include but not be limited to items such as demurrage, speed and consumption claims.
- Review taxation matters
- Review insurance claims & coverage
- Review and approve any material changes to the Company's D&O policy

3. Overseeing External Audit

- Oversee the Company's relations with the external auditors including their independence and ensure objectivity is not impaired, audit scope, approach and fees (for both audit and non-audit services).
- Review the performance of the external auditors, to facilitate their selection, appointment, re- appointment, and removal.
- Review the audit engagement letter and audit representation letter and monitor the responsiveness of Management to the recommendations made (or the reasons why they have not been acted upon)
- Establish meetings with the external auditors to discuss matters that the AC or auditors believe should be discussed privately. Ensure that the external auditors have direct and unrestricted access to the Chairman of the AC, any member of the AC and the Chairman of the Board.

4. Corporate Governance and Compliance with Company policies and practices

The following additional responsibilities are delegated by the Board to the AC:

i) Compliance

The AC shall:

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- Review the effectiveness of the system for monitoring compliance with laws and regulations and Company policies and practices and ensure that Management follow up on any instance of non-compliance
- Monitor the processes for addressing complaints made regarding accounting, internal controls and/or auditing matters

ii) Interested Persons Transactions (IPT)

- Review IPTs to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its Shareholders
- Direct Management to present the rationale, cost-benefit analysis and other details relating to IPTs, subject to a specific mandate
- Receive reports from Management and /or IA, if applicable, regarding IPTs. Report to the Board/Shareholders on IPTs as required

iii) Oversight of the Company's Code of Conduct, Anti-Bribery & Corruption, Fraud- and Whistle-blower Policies, Insider Trading Policy, alongside the Company's Authorisation Manual and Risk Manual.

- Review the effectiveness of the relevant processes across the Company and monitor levels of compliance
- Ensure that all employees and any other relevant parties are aware of the AC's role in this respect and have the contact details of and access to the Chairman of the AC to raise concerns with him/her directly and in confidence.
- Ensure that all Whistleblow concerns reported to the Chairman of the Audit Committee or the Chairman of the Board will be recorded, investigated and followed up as per [Section 4 of the Whistleblow Policy](#).

Information

The Management shall provide whatever information, explanation and support is required by the AC to enable it to comply with its Terms of Reference