



CONFIDENCE CEMENT LIMITED

Terms of Reference of

Audit Committee

1. Purpose of the Audit Committee

The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good governance and good monitoring system within the business of the company. The Audit Committee shall also assist the Board in ensuring the transparency and accountability in the company for its all type of transactions made in the various departments.

2. Constitution of the Audit Committee

The Audit Committee (the “Committee”) is established as Sub-Committee of the Board of Directors (the “Board”) of Confidence Cement Limited (the “Company”). These terms of reference have been drawn up by the Board of Directors of Confidence Cement Limited pursuant to code-6 of the Corporate Governance Code dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

3. Composition of the Audit Committee

- (a) The Audit Committee shall be composed of at least 3 (three) members;
- (b) The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;
- (c) All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;

Explanation: The term “financially literate” means the ability to read and understand the financial statements like statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows statement and a person will be considered to have accounting or related financial management expertise if he or she possesses professional qualification or Accounting or Finance graduate with at least 10 (ten) years of corporate management or professional experiences.

- (d) When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;
- (e) The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.

**4. Chairperson of the Audit Committee**

- (a) The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;
- (b) In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under reference No. 5 (b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes
- (c) Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):

Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.

5. Meeting of the Audit Committee

- (a) The Audit Committee shall conduct at least its four meetings in a financial year:
Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;
- (b) The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.

6. Role of Audit Committee

The Audit Committee shall:-

- (a) oversee the financial reporting process;
- (b) monitor choice of accounting policies and principles;
- (c) 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;
- (d) oversee hiring and performance of external auditors;
- (e) hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;
- (f) review along with the management, the annual financial statements before submission to the Board for approval;
- (g) review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;
- (h) review the adequacy of internal audit function;
- (i) review the Management's Discussion and Analysis before disclosing in the Annual Report;
- (j) review statement of all related party transactions submitted by the management;
- (k) review Management Letters or Letter of Internal Control weakness issued by statutory auditors;
- (l) oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and



- (m) oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission:

Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results:

Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.

7. Reporting of the Audit Committee

(a) Reporting to the Board of Directors

- (i) The Audit Committee shall report on its activities to the Board.
- (ii) The Audit Committee shall immediately report to the Board on the following findings, if any:-
 - (a) report on conflicts of interests;
 - (b) suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;
 - (c) suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and
 - (d) any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;
- (iii) The Committee Chairman shall report formally to the Board on the committee's proceedings after each meeting;
- (iv) The Committee shall, once a year, consider its own performance, membership and terms of reference to ensure it is operating at maximum effectiveness and shall recommend any necessary changes to the Board for its approval;
- (v) The Committee shall make any recommendations to the Board it deems appropriate on any areas within its terms of reference where action or improvement is needed.
- (vi) The Chairman of the Committee shall work and liaise as necessary with other committees of the Board.

(b) Reporting to the Authorities

If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board 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 Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.

**(c) Reporting to the Shareholders and General Investors**

Report on activities carried out by the Audit Committee, including any report made to the Board under reference No. 7(a) (ii) (III) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.

8. Duration of appointments of the Members of the Audit Committee

Unless otherwise determine by the Board, the duration of appointments of Non-Executive members of the Committee shall be for a period of up to three years which may be extended by the Board for an additional tenure (three years).

9. Secretary of the Audit Committee

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

10. Conduct of Business of the Meetings of the Audit Committee

The Committee shall conduct its business as it thinks fit. Decision of the Committee shall be by majority decision. In the case of an equality of votes, the Chairman of the Committee shall have a second or casting vote. Save as otherwise required by these terms of reference or agreed by the Committee, all provisions relating to the conduct of business of the Board in the articles of association from time to time of the company shall equally apply to the conduct of business of the Committee.

11. Attendance of Meetings of the Audit Committee

Only members of the Committee shall have the right to attend meetings of the Committee. Other individuals such as the Managing Director & CEO, Chief Financial Officer, Head of Internal Audit and Compliance and external Auditors and any individual may be invited to attend for all or any part of any meeting, as when appropriate.

12. Meetings and Minutes of the Committee

Meetings of the Audit Committee and record the minutes of the meetings as well as keep record books and records in line with the provisions of the relevant Bangladesh Secretarial Standard (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB).

13. Annual General Meeting

The Chairman of the Committee shall attend the Company's Annual General Meeting to answer shareholders' questions about the Committee's activities.

14. Terms of Reference

The Committee shall time to time review its Terms of Reference in line with the regulatory requirement and may recommend to the Board any amendments to its Terms of Reference