Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Approved and adopted on 3 August 2026

1. Overall Purpose / Objectives

The Audit and Risk Committee ("ARC"), appointed by the board (the "Board") of Pacific Basin Shipping Limited (the "Company"), assists the Board in fulfilling its oversight responsibilities by:

(a) Ensuring integrity and transparency in financial reporting;

(b) Reviewing the appropriateness and effectiveness of financial controls, risk management and internal control systems;

(c) Monitoring compliance with laws and regulations affecting financial reporting;

(d) Carrying out the corporate governance duties;

(e) Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

(f) Reviewing and considering the effectiveness of internal and external audit processes; and

(g) Overseeing the Company's risk management framework and policies, including risk appetite and emerging risks.

2. Authority

2.1 Perform activities within the scope of these Terms of Reference.

2.2 Engage independent counsel or advisers as it deems necessary.

2.3 Require the attendance of relevant company officers at meetings.

2.4 Have unrestricted access to members of management, employees and relevant information.

2.5 Approve professional services provided by external auditor for non-audit services in excess of US$250,000 per annum.

3. Organisation

Membership

3.1 The Board will nominate the ARC members and its chairman.

3.2 The ARC will comprise at least three members, majority being independent non-executive directors of the Company.

3.3 The chairman of the ARC must be an independent non-executive director of the Company.

3.4 A quorum of any ARC meeting will be 2 members.

3.5 The secretary of the ARC will be the Company Secretary or such other person nominated by the Board.

Meetings

3.6 Only committee members are entitled to attend meetings. The ARC may invite such other persons to its meetings, as it deems necessary.

3.7 Minimum two meetings annually, aligned with the Company's financial reporting cycle.

3.8 Agendas and accompanying papers circulated to all members at least three days in advance of each meeting.

3.9 Draft meeting minutes should be circulated to all committee members for their comments within a reasonable time after the meeting is held, and once approved, the final record should be circulated to the Board and kept by the Company Secretary.

3.10 The ARC will meet with the external auditor at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise.

4. Roles and Responsibilities

Risk Management and Internal control

4.1 Assess management's commitment to setting the appropriate 'control culture' in communicating the importance of internal control and management of risk.

4.2 Oversee and approve risk management policies and tolerance levels and ensure proper reporting thereof to the Board.

4.3 Review effectiveness of risk management and control frameworks, including ESG (Environmental, Social and Governance) risks and consider whether recommendations made by the internal and external auditors have been appropriately dealt with by management.

In particular:

(a) Monitor risk policies, risk profile and appetite, and emerging risks;

(b) Review the adequacy and effectiveness of the risk management and internal control systems covering strategic, financial, operational and compliance aspects; and

(c) Ensure disclosure in the Company's annual report regarding the effectiveness of the Company's risk management and internal control systems.

4.4 Understand the controls and processes implemented by management to ensure that the financial statements derived from the underlying financial systems comply with relevant standards and requirements.

4.5 Seek relevant information and assurance from management that the systems of risk management and internal control remain effective.

4.6 Review adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit, and financial reporting functions and their training programmes and budgets.

4.7 Review major investigation findings on risk management and internal control matters and management's response to such findings.

4.8 Review whistleblowing arrangements for fair and independent investigation of concerns about possible improprieties in financial reporting, internal controls or other matters and for appropriate follow-up action.

Financial reporting

4.9 Understand key financial risks and management's response.

4.10 Review of significant accounting and reporting issues and regulatory changes.

4.11 Oversee the periodic financial reporting process and review the interim financial statements, annual financial statements and preliminary announcements before their release.

4.12 Meet with management and the external auditor to review the financial statements, annual report and accounts, half-yearly report, the key accounting policies and practices, and significant reporting judgements, and the results of the audit.

4.13 Discuss audit results, key judgements and adjustments with management and the external auditors.

4.14 Monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-yearly report and if prepared for publication, quarterly reports.

4.15 In reviewing the Company's annual report, half-yearly report and if prepared for publication, quarterly reports before submission to the Board, the ARC should focus 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; and

(f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

4.16 When discharging duties in regard to paragraph 4.15 above the ARC should:

(a) Liaise with the Board, Chief Financial Officer and other senior management;

(b) Meet, at least twice a year, with the Company's external auditor;

(c) Consider any significant or unusual issues reflected in the Company's annual and half-yearly reports; and

(d) Give due consideration to any matters that have been raised by the Company's Chief Financial Officer, compliance officer or external auditor.

Compliance with Laws and Regulations

4.17 Review and monitor the effectiveness of the audit process in accordance with applicable standards.

4.18 Review updates from management and company's legal counsel regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies.

Working with Auditor

External Audit

4.19 Review and monitor the independence and objectivity of the external auditor and consider any potential conflicts of interest.

4.20 Make recommendations to the Board on the appointment, reappointment or removal of external auditor, and approve their remuneration and terms of engagement and to consider any questions of its resignation and dismissal.

4.21 Develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.

4.22 Before the audit commences, discuss with the external auditor the nature and scope of the audit and reporting obligations and review the approach for the current year in the light of the company's present circumstances and changes in regulatory and other requirements.

4.23 Review the external auditor's management letter and ensure the Board's timely response to issues raised therein.

4.24 Review any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.

4.25 Act as the key representative body for overseeing the Company's relations with the external auditor.

Internal Audit

4.26 Review the activities, resources and organisational structure of the internal audit function and ensure no unjustified restrictions or limitations are made.

4.27 Review the annual internal audit plan and ensure there is appropriate coordination with the external auditor.

Reporting Responsibilities

4.28 Update the Board on ARC activities and recommendations.

4.29 Review reports required by law or listing rules or requested by the Board.

Review of the Committee Terms of Reference

4.30 Review the ARC terms of reference periodically, not less than every three years, and refer amended terms to the Board for approval.