

**Perusahaan Sadur Timah Malaysia
(Perstima) Berhad**

(Company No. 49971-D)
(Incorporated in Malaysia)

**Term of Reference
Of
Audit Committee**

1. OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) Review and assess the Group's processes relating to its risk and control environment;
- c) Review and assess the Group's quarterly and year-end financial reporting;
- d) Review and assess the internal and external audit processes;
- e) Review and assess the conflict of interest situations and related party transactions;
- f) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- g) Determine the adequacy of the Group's administrative, operating and accounting controls.

2. COMPOSITION AND MEMBERSHIPS

The Audit Committee shall be appointed by the Board of Directors ("Board") from among its members who fulfill the following requirements:-

- a) The Audit Committee must composed of not fewer than three (3) members;
- b) All members of the Audit Committee should be non-executive directors;
- c) A majority of the Audit Committee must be independent directors;
- d) The members of the Audit Committee shall elect a chairman from among their number who shall be an independent non-executive director. The Chairman of the Board shall not be the chairman of the Audit Committee.
- e) All members of the audit committee should be financially literate and are able to understand matters under purview of the Audit Committee including financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant development in accounting and auditing standards, practices and rules.
- f) At least one member of the Audit Committee: -
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
 - he/she must have passed the examinations specified in Part 1 of the

First Schedule of the Accountants Act, 1967; or

- He/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and/or such other relevant authorities from time to time.
- f) No alternate Director of the Board shall be appointed as a member of the Audit Committee.
- g) No former key audit partner shall be appointed as a member of the Audit Committee, unless he/she has observed a cooling-off period of at least two (2) years before for such appointment.
- h) Subject to any regulatory disqualification, members of the Audit Committee shall not be removed except by the Board. In the event of any vacancy in the Audit Committee (including the Chairman), the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. The Board must via Nomination Committee to review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with its terms of reference.

3. SECRETARY

The Company Secretary or other appropriate senior official shall act as the Secretary of the Audit Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it within a reasonable period prior to the meeting, supported by explanatory documentation to Audit Committee members prior to each meeting.

4. QUORUM AND VOTING

The quorum for all meetings of the Audit Committee shall consist of a majority of independent non-executive directors. All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another independent non-executive director.

All resolutions of the Audit Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.

5. MEETINGS AND ATTENDANCE

- (a) The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without Executive Board members and employees present.
- (b) In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.
- (c) The meeting shall normally be attended by the Executive in charge of Finance, Internal Audit and Corporate Governance at the invitation of the Audit Committee.

- (d) The external auditors are normally invited to attend meetings as and when necessary.
- (e) By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.
- (f) The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.
- (g) The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.
- (h) A resolution in writing, signed by all the members of the Audit Committee, shall be as effectual as if it has been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Audit Committee members.

The Secretary shall on the requisition of the members of the Audit Committee summon a meeting of the Audit Committee and, except in the case of an emergency, reasonable notice of every Audit Committee meeting shall be given in writing.
- (i) The Audit Committee may conduct its meeting to include participation thereof by any member or invitee via video or teleconferencing or any other means of audio or audio – visual communications.

6. AUTHORITY

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company and the Group;
- d) have direct communication channels with the internal and external auditors and with senior management of the Group;
- e) be able to obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary; and
- f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of Executive Directors and employees of the Company, whenever deemed necessary.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of the matters affecting the Group.

Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the Audit Committee shall promptly report such matter to the Bursa Securities.

7. RESPONSIBILITY AND DUTIES

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties:-

- a) To review the following and report the same to the Board:-
 - i) with the external auditors, the audit plan;
 - ii) with the external auditors, his evaluation of the system of internal controls;
 - iii) with the external auditors, his audit report;
 - iv) the assistance given by the Company's employees to the external auditors; and
 - v) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) To consider the appointment/reappointment and performance of the external auditors, the audit fee and any questions of resignation or dismissal and carry out annual assessment on the performance and the suitability of the external auditors.
- c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) To review the quarterly results and year-end financial statements of the Company, prior to the approval by the Board focusing particularly on:-
 - Any changes or implementation of major accounting policies and practices;
 - Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
 - The going concern assumption; and
 - Compliance with applicable financial reporting standards and other legal requirements;
- e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- f) To review the external auditors' management letter and management's response;
- g) To do the following, in relation to the internal audit function:
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

- Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action are taken on the recommendations of the internal audit function;
 - Review any plan, process and result of the internal audit, appraisal or assessments, investigation undertaken whether or not appropriate action in taken on the recommendation of the members of the internal audit function;
 - Approve any appointments or termination of senior staff members of the internal audit function;
 - Take cognisance of resignation of internal audit staff members (for in-house internal audit function) or internal audit service provider (for outsourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his/her reasons for resigning.
- h) To consider the major findings of internal investigations and management's response;
- i) To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company; and
- j) To consider other areas as defined by the Board or as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time.
- k) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- l) Review procedures in place to ensure that the Group complies with the Companies Act 2016, Main Market Listing Requirements of Bursa Securities and other legislative and reporting requirements.
- m) Conduct an annual review and periodic testing of the Group's internal control and risk management framework;
- n) Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- o) Review the Internal Audit Charter, budget and staffing of the internal audit functions.
- p) Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- q) Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcation, frauds and thefts and management's response.
- r) Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the activities or work performed in fulfilling the Audit Committee's primary responsibilities, including details of relevant training attended by each Committee member.

- s) Review the annual enterprise risk profile of the Group (including risk registers) and evaluate the Risk Manager's risk assessments of the Group and his plans to mitigate business risks as identified from time to time.
- t) Discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:-
- Management consulting;
 - Strategic decision;
 - Internal audit;
 - Policy and standard operating procedures documentation;
 - Accounting and book keeping services;
 - Taxation services;
 - Litigation support services
 - Corporate finance services.
- In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (i.e. exceed 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of non-audit services rendered in the Report of Audit Committee.
- u) Any other activities, as authorised by the Board.
- v) To perform any other functions or responsibilities as may be required of them as prescribed by Bursa Securities or any other relevant authorities from time to time.

8. REPORTING RESPONSIBILITIES

The Chairman of the Audit Committee shall report to the Board on its proceedings after each meeting on all matters with its duties and responsibilities.

9. ANNUAL GENERAL MEETING

The Chairman of the Audit Committee should attend the Annual General Meeting of the Company to answer any questions raised by the shareholders relating to the activities of the Audit Committee.

10. REVISION OF THE TERMS OF REFERENCE

- a) Any revisions or amendments to this terms of reference, as proposed by the Audit Committee or any third party, shall be presented to the Board for approval;
- b) Upon the Board's approval, the said revisions or amendments shall form part of this term of reference and this term of reference shall be considered duly revised or amended;
- c) The terms of reference shall be reviewed and updated regularly or as and when there are changes to the recommendations of Malaysian Code on Corporate Governance, Listing Requirements of Bursa Securities or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Company that may affect the Audit Committee's role; and

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- d) The duly revised or amended A copy of this terms of reference should be uploaded on the Company's website.

This terms of reference of Audit Committee is dated 5 July 2018.