

CONFIDENTIAL



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

TERMS OF REFERENCE FOR AUDIT COMMITTEE

(Approved by the Board of Directors on 17 June 2020)

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1. PURPOSE

- To review and report to the Board of Directors ("Board") on the quality and performance of Sarawak Consolidated Industries Berhad ("SCIB") internal and external accountants and auditors, the reliability of financial information and the adequacy of internal control policies and procedures. In addition, the Committee can recommend appropriate changes in any of these areas, as and when necessary;
- To ensure compliance with specified financial standards and disclosure policies developed and administered by the Bursa Malaysia Securities Berhad ("BMSB"); and
- To ensure that certain standards of corporate responsibility, integrity and accountability to the Shareholders are being inculcated in the duties and responsibilities of the Board.

2. APPOINTMENT/COMPOSITION

The Committee shall be appointed by the Board and shall consist of not less than three (3) members of whom the majority shall be Independent Non-Executive Directors.

In addition, at least one (1) member of the Committee:

- a. Must be a member of the Malaysian Institute of Accountants; or
- b. If not then, the member must have at least three (3) years working experience and: -
 - Must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967 or;
 - Must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- c. Fulfils such other requirements as prescribed or approved by BMSB.

SCIB must ensure that no Alternate Director is appointed as a member of Audit Committee ("AC").

An Alternate Director shall not be appointed as a member of the Committee.

The Committee members shall be appointed by the Board and shall consist of not less than three (3) members, of whom shall be Non-Executive Directors. The Majority of the Committee members shall be Independent Directors.

The members of AC must elect a chairman among themselves and the Chairman of the Committee shall be approved by the Board and shall be an independent Non-Executive Director.

If the number of members of the Committee is reduced to below three (3), the Board shall within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.

The Committee's terms of office and performance is subject to review by the Board every year to determine whether the Committee has carried out their duties in accordance with the Terms of Reference.

3. AUTHORITY

The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of SCIB:

- Have the authority to investigate any activity within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to any information pertaining to SCIB;
- Have direct communication channels with the external auditors and person(s) carrying out the Internal Audit Function ("IAF") or activity (if any);
- Be able to obtain independent professional or other advice;
- Be able to convene meetings with the external auditors, excluding the attendance of the Executive members of the Board, whenever deemed necessary; and
- To consider any matter the external auditor believes should be brought to the attention of the Board or Shareholders.

4. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Committee shall be to review the following and report the same to the Board: -

- i. With external auditors:
 - The scope of their audit plan and audit reports (management letters, major findings and Management's responses thereof, and the evaluation of the Group's risk management and internal control system);
 - Their evaluation of the system of internal control;
 - The audit reports on the financial statements;
 - The assistance given by SCIB's employees to the external auditor;
 - Any letter of resignation from the external auditors;
 - Nomination of the external auditors and the determination of audit fees; and
 - The performance of external auditors and to make recommendations to the Board of Directors on their appointment and removal.
- ii. The adequacy of the scope, functions and resources of the IAF and that it has the necessary authority to carry out its work;
- iii. The effectiveness of the internal control systems including the internal audit programs, process, results of internal audit programs, processes or investigation undertaken and whether or not appropriate actions have been taken on recommendations of the IAF;

- iv. The appointment, replacement and dismissal of the Internal Audit Manager and the performance and remuneration of the internal auditors and ensure they are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- v. The quarterly results and year-end financial statements of SCIB and the Group, prior to submission to the Board, focusing particularly on: -
 - a. Changes in or implementation of new accounting policies and practices;
 - b. Significant and unusual events;
 - c. The going concern assumption; and
 - d. Compliance with applicable approved accounting standards and other legal and regulatory requirements.
- vi. The adequacy and effectiveness of risk management, internal control and governance systems instituted in SCIB and the Group;
- vii. Any related party transactions and conflict of interest situation that may arise within SCIB or Group;
- viii. To verify the allocation of options to employees under the relevant criteria imposed by SCIB 's Share Option Scheme; and
- ix. Any other functions as may be agreed by the Committee and the Board or as may be required or empowered by statutory legislation or guidelines prepared by relevant governing authorities.

Where the Committee is of the view that any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of these Requirements, the Committee must promptly report such matter to BMSB.

5. FREQUENCY AND ATTENDANCE

The Committee shall hold at least four (4) regular meetings a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

The Committee may invite any person to any particular AC meeting, specific to the relevant meeting.

A quorum of the Committee shall be two (2) members and majority of members presents must be Independent Directors.

The Committee has appointed Head of Corporate Services as a Secretary of the Committee.

6. GUIDELINE FOR AUDIT COMMITTEE

- i. AC should, in addition to the roles and responsibilities set out in Section (4) above, with the external auditor:
 - Discuss before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
 - Review the external auditor's Management Letters and Management's response; and
 - Discuss problems and reservations arising from the interim and final audits, and any other matters the auditor may wish to discuss (in the absence of Executive Directors and Management where necessary).
- ii. AC is required to do the following with the internal auditor:
 - Review the adequacy of the scope, functions and resources of the IAF, and that it has the necessary authority to carry out its work;
 - Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the IAF;
 - Review any appraisal or assessment of the performance of members of the IAF;
 - Approve any appointment or termination of senior staff members of the IAF; and
 - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- iii. Either the internal auditor and external auditor may be required to consider any related party transactions that may arise within SCIB or group and/or to consider the major findings of internal investigations and Management's responses.
- iv. The Finance and the Internal Audit and / or a representative of the external auditors shall normally attend meetings. Other Board members may attend meetings upon the invitation of AC. However, at least once a year the committee shall meet with the external auditors without presence of Group Managing Director / Chief Executive Officer / Executive Director ("GMD / CEO / ED") and Management.
- v. AC should meet regularly, with due notice of issues to be discussed and should record its conclusions in discharging its duties and responsibilities.
- vi. The effectiveness of AC depends on their having a strong chairman who has the confidence of the Board, the auditors and on the quality of the Independent Directors. Membership of AC requires commitment, training and skill. Directors concerned need to have a sufficient understanding of the issues to be dealt with by AC to take an active part in its proceedings.
- vii. AC is required to deal with the issue relating to the presence of controlling Shareholders and substantial Shareholders, who are also the Directors of a SCIB on AC. These persons would have a vested interest in ensuring that the financial affairs of SCIB are properly handled. It is a powerful monitoring tool in ensuring that the interests of Management are at all times aligned with that of the owners. Such persons should be encouraged to participate in AC, subject to the requirement that the majority of the Directors should, nevertheless, remain independent as defined by the BMSB Listing Requirements.

7. DISCLOSURE REQUIREMENTS

- The Board should disclose in an informative way, details of the activities of AC, the number of audit meetings held a year and details of attendance of each individual Director in respect of meetings; and
- Companies are required to disclose the identities of their AC members and essentially set out the Terms of Reference of SCIB. Directors should be required to disclose the number of AC meetings held a year and the details of the attendance of each individual Director to enable Shareholders to evaluate the commitment of a particular Director.

8. PREPARATION FOR MEMBERSHIP OF THE AUDIT COMMITTEE

Where a new member is appointed to AC, the process for inducting a Director, should be supplemented, with meetings with other members of Management below Board level responsible for the financial control system and those responsible for internal audit where there is one as knowledge of the people concerned is as valuable as knowledge of the systems they operate.

9. INTERNAL AUDIT

- The Board should establish an IAF. Where an IAF does not exist, the Board should assess whether there are other means of obtaining sufficient assurance of regular review and/or appraisal of the effectiveness of the system of internal controls within SCIB. The Board should explain, in summary, the means that exist for obtaining such assurance of regular review and/or appraisal.
- The IAF is an integral part of an effective system of corporate governance. References to an IAF include circumstances where a third party is contracted to perform the work concerned.
- The IAF should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or AC should determine the remit of the IAF.
- The remit of the IAF should encompass the main role of the IAF that is to evaluate risk and monitor the effectiveness of the system of internal control. An independent and adequately resourced IAF should be in a position to assist the Board in obtaining the assurance it requires regarding the effectiveness of the system of internal control. In addition, the Board or AC should determine the general direction or remit of the IAF. The remit should be consistent with standards developed by the internal audit profession. AC may refer to the Guidance on the Statement of Internal Control issued by the Institute of Internal Auditors Malaysia, in this regard.
- IAF shall update AC on actions taken by the Management and status either the findings were rectified by the Management, in respect to the agreed findings, after a period of 6-month, upon completion of the Audit.

10. REVIEW OF INTERNAL CONTROL STATEMENTS

AC is responsible for reviewing the Statement on Internal Control and recommending it for the Board's approval for inclusion in the annual report.