



## MALAYSIAN RESOURCES CORPORATION BERHAD (7994-D)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. Membership

- 1.1 The Committee must be appointed from amongst its Directors which fulfils the following requirements:
  - a. the Audit Committee must be comprised of no fewer than 3 members;
  - b. a majority of the members must be independent directors; and
  - c. at least one member of the audit committee:
    - i. must be a member of the Malaysian Institute of Accountants (MIA); or
    - ii. if he is not a member of the MIA, he must have at least 3 years' working experience and:
      - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- 1.2 All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.
- 1.3 All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 1.4 The Chairman shall be an independent, non-executive director. The Chairman of the Board shall not be the Chairman of the Audit Committee.
- 1.5 No alternate director is appointed as a member of the Audit Committee.
- 1.6 A former key audit partner has to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.
- 1.7 In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirements, the Company must fill the vacancy within 3 months.
- 1.8 The Company Secretary shall act as Secretary to the Committee.

## **2. Terms Of Reference**

- 2.1 The Audit Committee shall be granted the authority to investigate any activity of the Group, its subsidiaries and employees. All employees shall be directed to cooperate as requested by Audit Committee members.
- 2.2 The Audit Committee shall be empowered to retain persons having special competence as necessary to assist the Audit Committee in fulfilling its responsibilities.
- 2.3 The Audit Committee shall provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies, financial management and control.
- 2.4 The Audit Committee, through regularly scheduled meetings, shall maintain a direct line of communication between the Board, external auditors, internal auditors and Management.
- 2.5 The Audit Committee shall ensure the objectivity and independence of the external and internal auditors and provide a forum for discussion that is independent of the Management.
- 2.6 The Audit Committee shall verify all allocations of shares to employees under any share scheme plan for employees to ensure that they are done in compliance with the criteria disclosed by the Company to its employees.

## **3. Authority**

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- 3.1 Have authority to investigate any matter within its terms of reference.
- 3.2 Have the resources which are required to perform its duties.
- 3.3 Have full, free and unrestricted access to any information, records, properties and personnel of MRCB and its subsidiaries (“the Group”).
- 3.4 Have direct communication channels with the external auditors and internal auditors.
- 3.5 Be able to obtain independent professional or other advice.
- 3.6 Be able to convene meetings with the external auditors and internal auditors together with other independent members of the Board (i.e. excluding the non-independent and executive members), at least twice a year or whenever deemed necessary. The Audit Committee should be able to meet exclusively among itself or with external parties such as enforcement bodies whenever deemed necessary.

#### **4. Duties And Responsibilities**

The duties and responsibilities of the Audit Committee are as follows:

- 4.1 To consider the appointment of the external auditor, the audit fee and the reasons given for their resignation or dismissal. The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.
- 4.2 To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.
- 4.3 To review the assistance given by the employees of the Company to the external auditor.
- 4.4 To discuss with the external auditor, his audit report and his evaluation of the system of internal controls.
- 4.5 To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- 4.6 To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss.
- 4.7 To review the external auditor's management letter and management's response.
- 4.8 To do the following in relation to Internal Audit:
  - review, on an ongoing basis, the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit plan, processes, the results of the internal audit assessment, investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - determine and recommend to the Board the remit of the internal audit function, including the remuneration of the Head of Internal Audit;
  - monitor closely significant disagreement(s) between internal auditor and Management, whether resolved or not; and
  - ensure that the Internal Audit function is effective and able to function independently.

- 4.9 To do the following in relation to the Anti-bribery management system:
- ensure organisation's strategy and anti-bribery policy are aligned;
  - review information about the contents and operations of the ABMS at regular intervals and order an annual review of the ABMS to ensure the system is kept robust and up to date;
  - ensure that adequate and appropriate resources needed for the effective operation of the ABMS are allocated and that the dedicated Departments have the necessary status and authority to fulfil their responsibilities;
  - oversee the ABMS to assure its operational effectiveness and efficiency in protecting MRCB from bribery risks and encourage legal and regulatory compliance.
- 4.10 To assist the Board to disclose the following:
- whether Internal Audit personnel are free from any relationships or conflicts of interest, which would impair their objectivity and independence;
  - the number of resources in the Internal Audit Department; and
  - name and qualification of the person responsible for Internal Audit; and whether the Internal Audit function is carried out in accordance with a recognized framework.
- 4.11 To obtain satisfactory response from management on the Internal Audit Reports and reports issued by external auditors.
- 4.12 To consider the major findings of internal investigations and management's response.
- 4.13 To consider any related party transactions that may arise within the company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.14 To oversee the function of the Risk Management Committee and report to the Board significant changes in the business and the external environment, which affect key risks. The Risk Management Framework and Manual which contain the features of the risk management and internal control framework and the adequacy and effectiveness of the framework are uploaded and can be viewed at the Company's website [www.mrcb.com](http://www.mrcb.com).
- 4.15 Where review of audit reports of subsidiaries and any related corporation also falls under the jurisdiction of the Committee, all the abovementioned function shall also be performed by the Committee in co-ordination with the Board of Directors of the subsidiaries and related corporation.
- 4.16 To review arrangements established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulation related to the MRCB Group's operations.
- 4.17 To consider other topics as defined by the Board.

## **5. Meetings**

- 5.1 The Committee shall meet at least 4 times in a year to discuss any matters raised by the auditors in discharging their functions. The quorum for a meeting of the Audit Committee shall be three of which the majority must be independent directors.
- 5.2 The Secretary is responsible for the co-ordination of administrative details including calling the meetings, voting and keeping of minutes.
- 5.3 In addition to the Committee members, the Financial Controller and Head of Internal Audit are invited for attendance at each meeting. The Head of companies/departments and their Management team will attend when audit reports on their companies/departments are tabled for discussion. The presence of external auditors will be requested when required.
- 5.4 The Chairman shall upon the request of the external auditor, convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.
- 5.5 The auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the committee when required to do so by the Committee.