



**MALAYSIA STEEL WORKS (KL) BHD**  
**Registration No. 197101000213 (7878-V)**

**TERMS OF REFERENCE –  
AUDIT COMMITTEE**

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***AUDIT COMMITTEE***  
***(TERMS OF REFERENCE)***

1. ***OBJECTIVES***

The objective of the Audit Committee (“AC”) is to assist the Board of Directors (“Board”) in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the AC shall:-

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors and enhance their independence by providing direction to and oversight of their functions;
- b) Maintain open lines of communication between the Board, 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
- c) Determine the adequacy of the Group's administrative, financial reporting, operating and accounting controls.

2. ***COMPOSITION***

The AC shall be appointed by the Directors from amongst the Board which fulfils the following requirements:-

- a) No fewer than three (3) members;
- b) All members of the AC must be non-executive directors, with a majority of them being independent directors;
- c) All members of the AC should be financially literate and are able to understand matters under the purview of the committee including the financial reporting process. All members of the AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- d) At least one (1) member of the AC:-
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-

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- he must have passed the examinations 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, or
- iii) he must be a person who fulfills such other requirements as may be prescribed by or approved by the Exchange.
- e) No alternate Director shall be appointed as a member of the AC.
- f) No former key audit partner shall be appointed as a member of the AC, unless he/she has observed a cooling-off period of at least two (2) years before for such appointment.

The Chairman of the Board shall not be the Chairman of the AC. The members of the AC shall elect a chairman from among their number who shall be an independent director. The vacancy of the independent chairman of the AC must be filled within three (3) months.

In the event of any vacancy in the AC resulting in the non-compliance of item 2 (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Nomination Committee must review the term of office and performance of the AC and each of its members annually to determine whether the AC and members have carried out their duties in accordance with the terms of reference.

### 3. *FUNCTIONS*

The functions of the AC are as follows:-

- 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 auditor, 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 Group including any transaction, procedure or course of conduct that raises questions of management integrity.
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- b) To consider the appointment/re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal and to carry out annual assessment on the performance and the suitability of the external auditors. In considering the appointment/re-appointment of the external auditors, to consider among others
- the adequacy of the experience, audit quality and resources capacity of the accounting firm;
  - the persons assigned to the audit;
  - the accounting firm's audit engagements;
  - the size and complexity of the listed issuer's group being audited; and
  - the number and experience of supervisory and professional staff assigned to the particular audit;

And also consider the objectivity and the independence of the external auditors as below:-

- i) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
  - ii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee;
  - iii) the competence, audit quality and resource capacity of the external auditor in relation to the audit;
  - iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors; and
  - v) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- c) 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 (1) audit firm is involved in the audit;
- d) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
- Any changes in or implementation of major accounting policies and practices;

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- Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are 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 auditor may wish to discuss (in the absence of management where necessary;
- f) To review the external auditor's management letter and management's response;
- g) To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts that cannot be entered into should include:-
- Management consulting
  - Strategic decision
  - Internal Audit
  - Policy and Standard Operating Procedures documentation
  - Accounting and book keeping services
  - Valuations services
  - Taxation services
  - IT systems services
  - Litigation support services
  - Recruitment services
  - Corporate finance services

In the event that the non-audit services has exceeded 50% of the total amount of fees, to consider the skills and experience of the External Auditors and other suppliers who would make it the most suitable suppliers of such non-audit services.

- h) To assess the effectiveness of internal controls by conducting the following:-
- 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 budget and ensure sufficient resources are allocated to the internal audit function;
  - Review the internal audit plan, processes, the results of the internal audit assessment, investigation undertaken and whether or not ;
  - Review any appraisal or assessment of the performance of members of the internal audit function;

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- Approve any appointments or termination of senior staff members of the internal audit function;
  - Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or change in internal audit function service provider (for outsourced internal audit function) and provide the resigning staff member/service provider an opportunity to submit his/their reasons for resigning.
- i) To consider the major findings of internal investigations and management's response;
- j) To ensure the internal audit function established is independent of the activities it audits and to identify a head of internal audit who reports directly to the AC. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the AC that the internal controls are operating effectively. 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;
- k) To investigate and address all cases of misconduct reported, including those related to financial reporting, unethical or illegal conduct in accordance to the Whistleblowing Policy and/or Anti-Bribery and Corruption Policy, and to assign an Investigator (where appropriate) for the reported allegation(s);
- l) To consider other areas as defined by the Board; and
- m) To perform any other functions or responsibilities as may be required of them as prescribed by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time.

#### 4. *RIGHTS OF THE AC*

The AC shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with procedure to be determined by the Board 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;
  - d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
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- e) be able to obtain independent professional or other advice at the Company's costs, and to invite external parties with relevant experience to attend the AC meetings, if required, and to brief the AC thereof; and
- f) be able to convene meetings with the external auditors, the persons carrying out the internal audit function or activity or both excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

## 5. *QUORUM AND MEETING PROCEDURES*

The AC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. A quorum for an AC meeting shall be two (2) members. In the absence of the Chairman, the members present shall elect a Chairman for the meeting among the members present.

The Chairman may call a meeting of the AC if a request is made by any committee member, the Company's Executive Directors, Managing Director/Chief Executive Officer ("MD/CEO"), or the internal or external auditors. By invitation of the AC, the MD/CEO and other appropriate officers may be invited to attend the AC meeting, where their presence are considered appropriate as determined by the AC Chairman.

The AC shall meet with the external auditors at least twice a year without the presence of the Management and executive Board members. The Management, internal auditors and external auditors may request for a private session with the AC to discuss any matter of concern.

The Company Secretary or other appropriate senior official shall act as secretary of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the notice and agenda and circulating it at least five (5) business days prior to the meeting, supported by explanatory documentation to committee members prior to each meeting.

A member of the AC may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to be counted in a quorum and vote accordingly.

The AC shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter. All decisions at such meeting shall be decided on a show of hands on a majority votes.

Subject to the above, in appropriate circumstances, the AC may deal with matters by way of circular resolutions in lieu of convening a formal meeting. A resolution in writing signed, approved or assented by letter, electronic mail, telegram, telex or telefax or other electronic communication by all members shall be as valid and effectual as if it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members

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and may be transmitted to the Company by any technology purporting to include a signature and/or electronic or digital signature of the AC members.

The minutes of meetings of the AC shall be circulated to all members of the Board and kept at the registered office of the Company. The minutes shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subjected to the approval of the AC for inspection if required.

6. *REPORTING RESPONSIBILITIES*

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

The AC shall make whatever recommendation to the Board it deems appropriate or any area within its remit where action or improvement is needed.

7. *GENERAL MEETING*

The Chairman of the AC should attend the Annual General Meeting to answer any shareholder questions on the AC's activities.

8. *REVIEW*

This term of reference shall be reviewed as and when it is deemed necessary and must be approved and adopted by the Board. The duly revised or amended terms of reference shall be disclosed on the Company's website.

This term of reference of was reviewed and approved by the Board of Directors on 6 April 2021.