



TERMS OF REFERENCE – AUDIT COMMITTEE

1. Objective

The Audit Committee is established with the primary objective to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for Straits Energy Resources Berhad (“**Straits**” or “**the Company**”) and its subsidiaries (“**Straits Group**” or “**the Group**”), to oversee financial reporting process and evaluate the internal and external audit processes, including issues pertaining to the system of internal control within the Group.

2. Composition

The Audit Committee shall be appointed by the Board of Directors (“**the Board**”) from amongst their members, who fulfils the following requirements:

- a) The Audit Committee must be composed of no fewer than three (3) members. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months;
- b) All the Audit Committee members must be non-executive directors, with a majority of them being Independent Directors;
- c) All the Audit Committee members must be financially literate, with at least one member:
 - (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:
 - 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
 - Fulfils such other requirements as prescribed or approved by the Exchange.
- d) No alternate Director shall be appointed as a member of the Audit Committee;
- e) The appointment of the Audit Committee Chairman, who is an Independent Director, shall be approved by the Board;
- f) In the absence of the Audit Committee Chairman, the member of the Audit Committee shall elect a Chairman from among themselves, who shall be an Independent Director, to chair the meeting.



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2. Composition (Cont'd)

- g) The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company;
- h) All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.
- i) The Chairman and member of the Audit Committee shall not be the Chairman of the Board.
- j) An audit partner* who has served the Group would have to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

** This applies to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting and so forth).*

3. Secretary

The Company Secretary of the Company shall be the Secretary of the Audit Committee.

4. Duties And Responsibilities

The following are the main duties and responsibilities of the Audit Committee collectively:-

- a) Review the following and report the same to the Board of the Company:
 - (i) Oversee the Company's internal control;
 - (ii) With the external auditors, the audit plan;
 - (iii) With the external auditors, their evaluation of the system of internal controls;
 - (iv) With the external auditors, their audit report;
 - (v) The assistance given by the employees of the Company to the external auditors and the internal auditors;
 - (vi) The quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - Changes in or implementation of major accounting policy changes;
 - Significant and unusual events; and
 - Compliance with accounting standards and other legal requirements.



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4. Duties And Responsibilities (Cont'd)

- (vii) Any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts;
 - (viii) Any letter of resignation from the external auditors and any questions of resignation or dismissal;
 - (ix) Whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
 - (x) Recommend the nomination of a person or persons as external auditors.
- b) Oversee the Group's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance;
- c) Recommend to the Board on the appointment and re-appointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit;
- d) Discuss with the external auditors, the audit plan, before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- e) Discuss problems and reservations arising from the audits and any matter the auditors may wish to discuss in the absence of the management where necessary;
- f) Review the external auditor's management letter and management's response therein;
- g) In relation to the internal audit function:
- (i) Review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (iii) Review any appraisal or assessment of the performance of members of the internal audit function;
 - (iv) Approve any appointment or termination or resignation of the internal audit head function (for in-house internal audit function); and
 - (v) Take cognisance of resignations of internal audit service provider (for outsourced internal audit function) or internal audit staff members (for in-house internal audit function) and provide the resigning parties an opportunity to submit his reasons for resigning;



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4. Duties And Responsibilities (Cont'd)

- h) Consider the major findings of internal investigations and management's response;
- i) To review the effectiveness of the internal controls processes of the Group; and
- j) Consider other matters as defined by the Board.

5. Authorities/Rights Of The Audit Committee

In carrying out its duties and responsibilities, the Audit Committee will:

- a) Have the authority to investigate any matter within its terms of reference, including the anti-corruption matters;
- 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;
- e) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee meeting (if required) and to brief the Audit Committee;
- f) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary; and
- g) 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 or Bursa Malaysia Securities Berhad requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

6. Conduct Of Meetings

- a) The Audit Committee will meet at least four (4) times in each financial year, with additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.
- b) The notice period convening the meeting of the Audit Committee shall be at least five (5) days, which may be waived with the consent of all members of the Audit Committee.



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6. Conduct Of Meetings (Cont'd)

- c) The quorum shall consist of a majority of independent committee members and shall not be less than two (2).
- d) Recommendations by the Audit Committee are submitted to the Board for approval.
- e) The Company Secretary shall be in attendance at each Audit Committee meeting and record the proceedings of the meeting thereat.
- f) Minutes of each meeting shall be kept as part of the statutory record of the Company upon confirmation by the Audit Committee.
- g) The Managing Director and other officers may be invited to attend where their presence are considered appropriate as determined by the Audit Committee Chairman.
- h) The internal auditors and/or external auditors have the right to appear and be heard at any meeting of the Audit Committee.
- i) Upon the request of the internal auditors and/or external auditors, the Audit Committee Chairman shall also convene a meeting of the Audit Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- j) The Audit Committee must be able to convene meetings with external auditors without the presence of the executive board members and management at least once a year and whenever deemed necessary.
- k) The attendance at any particular Audit Committee meeting by other directors and employees of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.
- l) The AC meetings shall be governed by the provisions of the Company's Constitution relating to Board meetings unless otherwise provided for in this Terms of Reference.