

OVERSEA ENTERPRISE BERHAD
(Company No. 317155-U)
(Incorporated in Malaysia)

AUDIT COMMITTEE

TERMS OF REFERENCE

1. OBJECTIVES

The purpose of setting up the Audit Committee (“**AC**”) is to assist the Board of Directors (“**the Board**”) in fulfilling its statutory and fiduciary responsibilities, particularly the Company and its subsidiaries’ financial reporting process, system of internal controls and risk management processes.

2. COMPOSITION

Rule 15.09 of
the ACE LR

- (a) The AC shall be appointed by the Board from among the Directors of the Company and consist of not less than three (3) members. All the AC members must be Non-Executive Directors, with a majority of whom being Independent Directors. No Alternate Director shall be appointed as a member of the AC.

*In this respect, the Board adopts the definition of “Independent Director” as defined under Bursa Malaysia Securities Berhad (“**Bursa Securities**”) ACE Market Listing Requirements (“**ACE LR**”).*

- (b) All members of the AC shall be financially literate and at least one (1) of the members of the AC:-
- I. Must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
 - II. if he / she is not a member of the MIA, he must have at least three (3) years of working experience and:
 - i. he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - ii. 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 the Exchange.

Rule 15.19 of
the ACE LR

- (c) In the event of any vacancy in the AC resulting in non-compliance of Sections 2(a) and 3 of this Terms of Reference, the Company must fill the vacancy within three (3) months to ensure compliance with ACE LR.

**New MCGG
P8.2**

- (d) The AC has a policy that requires a former key audit partner¹ to observe a cooling-off period of at least two years before being appointed as a member of the AC.

Note 1

[The engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the auditor will express an opinion.]

**New MCGG
P8.5**

- (e) Collectively, the AC should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the AC including the financial

reporting process.

**New MCCG
P8.5**

- (f) 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.

3. CHAIRMAN

Rule 15.10 of
the ACE LR

- (a) The members of the AC shall elect a Chairman from among its members who shall be an Independent Non-Executive Director. The appointment of the Chairman of the AC shall be approved by the Board.

**New MCCG
P8.1**

- (b) The Chairman of the AC shall not be the Chairman of the Board.

Rule 15.17 of
the ACE LR

4. AUTHORITY

- (a) The AC is authorised by the Board to investigate any matter within its Terms of Reference, the resources to do so, and shall have unlimited access to both the Internal and External Auditors, as well as the employees of the Group. All employees of the Group are directed to co-operate with any request made by the AC;

- (b) The AC shall have unlimited access to all information and documents/resources which are required to perform its duties as well as to the Internal and External Auditors and the senior management team of the Group;

- (c) The AC shall have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity, if any;

- (d) The AC shall have the authority to obtain independent legal or other professional advice as it considers necessary at the expense of the Company, with prior consent from the Board;

- (e) The AC shall be able to convene meetings with the External or Internal Auditors, excluding the attendance of the other Directors and employees of the Company, whenever deemed necessary; and

- (f) The AC shall have the power to establish Sub-AC(s) to carry out certain investigation on behalf of the AC in such manner, as the AC deem fit and necessary.

**New MCCG
P8.3**

- (g) The AC has policies and procedures to assess the suitability, objectivity and independence of the External Auditor.

**New MCCG
G8.3**

In assessing the suitability, objectivity and independence of the External Auditor, the AC establishes policies and procedures that consider among others–

- the competence, audit quality and resource capacity of the External Auditor in relation to the audit;
- the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- 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.

The assessment on the suitability, objectivity and independence of the external audit firm should be conducted annually.

5. SECRETARY

The Company Secretary shall act as secretary to the AC and shall be responsible to minute the proceedings and resolutions of all meetings of the AC, keeping minutes of meetings of the AC and circulating them to the AC members.

6. MEETING

New MCGG G1.5

- (a) Meetings shall be held not less than four (4) times a year. On the request by any of the AC's Members, External Auditors, Internal Auditors or at the discretion of the Chairman of the AC, additional meetings may be held.
- (b) Full agenda and meeting papers shall be circulated to the AC's members at least five (5) business days before the meeting;
- (c) When necessary, the AC may invite other Board members, senior management staff, External Auditors, Internal Auditors or independent professional advisers to attend AC meetings.
- (d) Member of the AC shall make declaration and if need be, excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her.
- (e) The AC shall meet with the External Auditors without the presence of the executive board members at least twice a year.
- (f) The proceedings of all meetings shall be properly minuted and circulated to all the AC members for their perusal prior to the confirmation of the minutes by the Chairman as a correct record.

7. QUORUM AND CASTING VOTE

Rule 15.18 of the ACE LR

The quorum of the meeting shall be two (2) Independent Directors. In the absence of the Chairman, the members shall elect from among themselves a Chairman who must be an Independent Director to chair the meeting.

Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the AC shall have a second or casting vote.

8. CIRCULAR RESOLUTION

The AC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a circular resolution in writing, in lieu of formally convening a meeting. The circular resolution shall be as valid and effectual as if it has been passed by a meeting of the AC duly convened. The AC's circular resolution must be signed or approved by a majority of the AC members. Any such resolution may consist of several documents in like form, each signed by one (1) or more members. Any such document, may be accepted as sufficiently signed by a AC Member if transmitted to Company by electronic mail, mobile messaging application, telex, telegram, cable, facsimile or other electrical or digital written message purporting to include a signature of a AC Member.

The interested AC's member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

9. ASSESSMENT OF THE AC

The AC shall perform annual self-assessment to assess its effectiveness in carrying out the duties in accordance with the Terms of Reference and report to the Board the result of the assessment.

Rule 15.20 of
the ACE LR

The Board, with the assistance of the Nominating Committee, shall review the composition, performance and effectiveness of the AC and each of its members annually to determine the effectiveness of the AC and each of its members in carrying out the duties as set out in the Terms of Reference.

10. DUTIES AND RESPONSIBILITIES

Rule 15.12 of
the ACE LR

The duties and responsibilities of the AC shall include:-

- (a) To review the financial statements of the Company and the Group before recommending to the Board of Directors, focusing particularly on:-
 - i. Public announcements of results and proposed dividend payment;
 - ii. Any changes in or implementation of major accounting policies and practices;
 - iii. Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - iv. Significant adjustments resulting from the audit;
 - v. The going-concern assumptions;
 - vi. Compliance with accounting standards; and
 - vii. Compliance with stock exchange and legal requirements.
- (b) To recommend the appointment of the External Auditors, their audit fee and any question of their resignation or dismissal to the Directors of the Company;
- (c) To assess the suitability and independence of the External Auditors and recommended to the Board for re-appointment and the audit fee thereof;
- (d) To discuss the nature and scope of the audit with the External Auditors before the audit commences;
- (e) To meet the External Auditors, without the presence of other directors and employees), at least twice in each financial year to discuss problems and reservations arising from the interim and final audits and any matters the External or Internal Auditors may wish to discuss;
- (f) To review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
- (g) To review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls;
- (g) To review the adequacy of the scope, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its works;
- (h) To review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
- (i) To review the appraisal or assessment of the performance of the staff of the internal audit function; to approve any appointment or termination of senior staff of the internal audit function;

- (j) To keep under review the effectiveness of the risk management and internal control system and in particular, review External Auditors' management letter and management's response;
- (k) To review any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (l) Monitor the extent of non-audit work, if any, to be performed by the External Auditors to ensure that the provision of non-audit services does not impair their independence or objectivity.

**New MCGG
G8.5**

11. EXPECTATION

- (a) The AC members are expected to be financially literate and have sufficient understanding of the company's business. This would enable them to continuously apply a critical and probing view on the company's financial reporting process, transactions and other financial information, and effectively challenge management's assertions on the company's financials.
- (b) The AC should demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements.
- (c) Where there are significant matters requiring judgement, the AC should ask probing questions to ascertain whether the financial statements are consistent with operational and other information known.
- (d) The AC should review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the company's financial position and performance.

12. REPORTING

The AC shall report to the Board, either formally in writing, or verbally, as it considers appropriate on the matters within its Terms of Reference at least once a year, but more frequently if it so wishes.

The AC shall report to the Board on any specific matters referred to it by the Board for investigation and report.

13. REVIEW OF THE TERMS OF REFERENCE

The AC shall, from time to time and at any time that it deems necessary, review its Terms of Reference of the AC to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. In reviewing the Terms of Reference, the AC shall take into consideration any relevant corporate governance guidelines and may seek advice and input from the Company Secretary.

HISTORY

Date	Description
06.11.2009	Establishment
17.05.2010	Revision 1
16.05.2011	Revision 2
30.06.2016	Revision 3
23.02.2018	Revision 4