

MALAYSIA SMELTING CORPORATION BERHAD

TERMS OF REFERENCE FOR AUDIT & RISK MANAGEMENT COMMITTEE

1 Objectives

The primary function of the Audit & Risk Management Committee (the “Committee”) is to assist the Board of Directors (the “Board”) in fulfilling the following oversight objectives on the activities of the Group:

- a) Assess the Group’s processes relating to its governance, risk and control environment
- b) Oversee financial reporting
- c) Evaluate the internal and external audit processes, including issues relating to the system of internal control, risk management and governance within the Group
- d) Oversee the conflict of interest situations and related party transactions

In addition, the Audit & Risk Management Committee shall

- a) Oversee and appraise the quality of the audits conducted both by the Company’s internal and external auditors.
- b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities.
- c) Determine the adequacy of the Group’s administrative, operating and accounting controls.
- d) To require a former audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

The authority functions and duties of the Committee shall be extended to Malaysia Smelting Corporation Berhad (the “Company”) and its subsidiary companies (the “Group”).

2 Composition

The Audit & Risk Management Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- a) the Audit & Risk Management Committee must be composed of not fewer than 3 members;
- b) all members of the Audit & Risk Management Committee must be non-executive directors;
- c) a majority of the Audit & Risk Management Committee must be independent directors;
- d) all members of the Audit & Risk Management Committee should be financially literate and at least one member of the Audit & Risk Management Committee:
 - must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - if not a member of the MIA, the person must have at least three (3) years of working experience and:
 - the person must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - the person 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

- must have at least three (3) years' post qualification experience in accounting or finance:
 - has a degree/ master/ doctorate in accounting or finance; or
 - is a member of one (1) of the professional accountancy organisations which has been admitted as a full member of the International Federation of Accountants; or
- must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

In the event of any vacancy in the Audit & Risk Management Committee (including Chairman) resulting in the non-compliance of item 2 (a) to (d) above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months from that event.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board of Directors must via Nomination Committee review the term of office and performance of the Audit & Risk Management Committee and each of its members annually to determine whether the Audit & Risk Management Committee and members have carried out their duties in accordance with its Terms of Reference.

3 Meetings

Meetings shall be conducted at least four (4) times annually, with each meeting planned to coincide with key dates in the Group's financial reporting cycle, or more frequently as circumstances dictate.

The Chairman of the Committee shall engage continuously with Senior Management, such as the Group Chief Executive Officer, Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group in a timely manner.

The quorum for a meeting shall be 2 members of the Audit & Risk Management Committee. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Operating Officer, the Head of Internal Audit and representatives of the External Auditors shall attend meetings upon invitation of the Committee. The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Committee shall meet at least twice a year with the External Auditors without the presence of any executive Board member. In addition, Management, the Internal Auditor and the External Auditors may request for a private session with the Committee to discuss any matter of concern. Other Board members and employees may attend meetings upon the Committee's invitation.

4 Secretary

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to members of the Committee.

The Secretary shall be entrusted to record all proceedings and minutes of all meetings of the Committee and the circulation of the minutes to all Board members at each Board meeting.

5 Circular Resolution

The Audit & Risk Management Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting.

A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Audit & Risk Management Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

6 Authority

The Committee is authorised to investigate any matters within its Terms of Reference and all employees are directed to cooperate with any requests made by the Committee.

The Committee shall have full and unrestricted access to any information pertaining to the Group. The Committee shall have direct communication channels with the Internal and External Auditors and shall be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional or other advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia, the Committee shall promptly report such matter to Bursa Malaysia.

7 Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

A. Risk Management

- a) Review and evaluate the adequacy and effectiveness of risk management system instituted within the Group.

- b) Assist the Board in establishing a sound risk framework to manage risks, which includes:
 - (i) reviewing the Group's risk philosophy/ policy;
 - (ii) reviewing the extent to which management has established an effective enterprise risk management framework;
 - (iii) reviewing the Group's risk management framework and assessing the resources and knowledge of management and staff involved in the risk management process;
 - (iv) reviewing the Group's risk profile and risk tolerance; and
 - (v) report to the Board on the effectiveness of the risk management framework and the Group's risk profile and appetite.

B. Internal Audit

- a) Review the adequacy of the internal audit scope, functions, competency and resources of the Internal Audit function and that it has the necessary authority to carry out its work
- b) Review the internal audit programmes, processes, and reports to evaluate the findings of internal audit and to ensure that appropriate and prompt remedial action is taken by Management on the recommendations of the Internal Audit function
- c) Review the adequacy and integrity, including effectiveness, of internal control systems, management information system, and the Internal Auditor's and/ or External Auditor's evaluation of the said systems
- d) Review the Internal Audit Charter, budget and staffing of the Internal Audit function
- e) Review the performance of Internal Auditors, who will report functionally to the Committee, on an annual basis. Approve any appointment or termination of senior members of the Internal Audit function and take cognisance of resignations and providing the resigning members an opportunity to submit reasons for resigning
- f) To discuss and review of major findings of any internal investigations and the management's response
- g) To ensure the internal audit function is independent and reports directly to the Audit & Risk Management Committee. The head of internal audit should have relevant qualifications and responsible for providing assurance to the Audit Committee 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 (in the absence of management, where necessary)

C. External Audit

- a) To nominate and recommend the appointment or re-appointment of the external auditors and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable and report the same to the Board. In considering the appointment or re-appointment of the external auditors, to consider amongst others;

- (i) the adequacy of the experience and resources of the accounting firm
 - (ii) the persons assigned to the audit
 - (iii) the accounting firm's audit engagements
 - (iv) the size and complexity of the Group being audited
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit
- b) Review the appointment and performance of External Auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board
- c) Review the external auditors' management letter and management's response
- d) Review with the external auditors the statement on Risk Management and Internal Control for inclusion in the Annual Report
- e) To review the competency and performance of the external auditors and whether there is any reason, supported by ground, to believe that the external auditors are not suitable for re- appointment
- f) Review with the external auditors the statement on Risk Management and Internal Control for inclusion in the Annual Report
- g) Review with the External Auditors, the audit scope and plan, including any changes to the planned scope of the audit plan
- h) Review the independence, suitability and objectivity of the External Auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money
- i) Review the non-audit services provided to the Company for the financial year, including the nature of the non-audit services, fee levels of the non-audit services - individually and in aggregate relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided; In the event that the non-audit fees paid to the external auditors, or a firm or corporation affiliated to the external auditors' firm are significant that is, equal to 50% of the total amount of audit fees paid to the external auditors, the Company is required to state the details on the nature of non-audit services-rendered in the Audit & Risk Management Committee report
- j) Develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the external auditors, which amongst others, takes into consideration:
 - (i) whether the skills and experience of the audit firm makes it a suitable service provider for non-audit services;
 - (ii) whether there are safeguards in place to eliminate or reduce to an acceptable level any
 - (iii) threat to objectivity or independence in the conduct of the audit resulting from non- audit services provided by the external auditors; and
 - (iv) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the external audit fees of the Company.

D. Audit Reports

- a) Review the external and internal audit reports with the External and Internal Auditors to ensure that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that are identified
- b) Review major audit findings and Management's response during the financial year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations

E. Financial Reporting

- a) Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
 - (i) changes in or implementation of accounting policies and practices;
 - (ii) significant adjustments or unusual events;
 - (iii) significant matters highlighted including financial reporting issues, significant judgements made by the management, significant and unusual events or transactions and how these matters are being addressed;
 - (iv) going concern assumptions; and
 - (v) compliance with applicable approved Financial Reporting Standards, regulatory and other legal requirements.

F. Related Party Transactions

- a) Review any related party transactions and conflict of interest situations that may arise within the Company or the Group, including any transactions, procedures or courses of conduct that raise question on Management's integrity.

G. Other Matters Delegated by the Board

- a) Review the Committee's Terms of Reference as conditions dictate
- b) Review the assistance given by the Group's employees to the Auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information
- c) Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports and Management's response on any major defalcations, frauds and thefts
- d) Review procedures in place to ensure that the Group is in compliance with the Companies Act, 2016, Listing Requirements of Bursa Malaysia and other legislative and reporting requirements
- e) Prepare reports, at least once a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities
- f) Carry out any other activities, as authorised by the Board

H. Revision of the Terms of Reference

- (i) This Terms of Reference shall be reviewed annually by the Audit Committee.
- (ii) Any revision or amendment to this Terms of Reference, as proposed by the Audit & Risk Management Committee or any third party, shall first be presented to the Board for its approval.
- (iii) Upon the Board's approval the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

This revised Terms of Reference was adopted by the Board on 18 February 2022.