



**SEG**  
International  
Bhd

(145998-U)

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The Audit Committee (“the Committee”) is governed by the terms of reference that were formally endorsed by the Board on 11<sup>th</sup> May 2001 and has been reviewed from time to time. The terms of reference are set out as follows.

### **Objectives**

The principal objectives of the Audit Committee is to review the adequacy and the integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulation, rules, directives and guidelines, as well as to oversee the conduct of the Company’s business and proper management.

The Committee provides assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to financial accounting and reporting practices, and operation and management controls to ensure conformity with good corporate governance, transparency, integrity and accountability in the conduct of the Group’s activities so as to safeguard the rights and interests of the shareholders.

### **Composition**

The Committee consists of not less than three (3) members. All the Audit Committee Members must be non-executive Directors, with a majority of them being independent. The Chairman shall be an Independent Non-Executive Director. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he is not, then he must be a person who complied with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities Listing Requirements”). The Committee must ensure that any former key audit partner observes a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

In the event of any vacancy in the Audit Committee resulting in non-compliance of subparagraphs 15.10(1), the vacancy must be filled within three (3) months.

### **Meetings**

The Committee shall meet not less than four (4) times a year. A quorum shall consist of two (2) members, with independent directors forming the majority.

The Executive Director(s), Chief Financial Officer and the Head of Internal Audit of SEGi shall attend meetings by invitation of the Committee, together with other members of senior management as appropriate. The External Auditors will be present at certain meetings to report to the Audit Committee on their activities and other specific issues. The Audit Committee also meets with the External Auditors without the management present.

Each Audit Committee member shall have equal voting right at each meeting. In the event that an unanimous agreement could not be reached for any matters raised in the Audit Committee meeting, a simple majority of votes among the Audit Committee members shall be taken.

The Secretary shall be responsible for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of the Audit Committee, and circulating them to each member of the Committee and of the Board of Directors. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Company Secretary.

### **Authority**

The Committee is authorised by the Board:

- [a] to investigate any matter within its terms of reference;
- [b] to have the resources which are required to perform its duties;
- [c] to have full and unrestricted access to any information pertaining to the Group and the Company;
- [d] to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- [e] to be empowered to obtain independent professional or other advice as necessary; and
- [f] to be empowered 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.

### **Functions**

The functions of the Audit Committee are as follows:

- [a] to review the following and report the same to the Board of Directors:
  - i with the external auditors, the audit plan;
  - ii with the external auditors, their evaluation of the system of internal controls;
  - iii with the external auditors, their audit report;
  - iv the assistance given by the Company's employees to the external auditors;
  - v 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;
  - vi the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - vii the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - changes in or implementation of major accounting policies and practices;
    - significant adjustments arising from the audit;

- significant matters highlighted including financial reporting issues, significant judgements made by the management, significant and unusual events or transactions, and how these matters are addressed; and
  - compliance with accounting standards and legal requirements;
- viii 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;
- ix external auditors' management letter and management's responses;
- [b] to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- [c] to recommend the nomination of a person or persons as external auditors; and
- [d] such other functions as the Board may from time to time determine.

### **Continuing Education**

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.