

SKB SHUTTERS CORPORATION BERHAD

AUDIT COMMITTEE TERMS OF REFERENCE

1.0 OBJECTIVE

The principal objective of the Audit Committee (“AC”) is to assist the Board in discharging its oversight responsibilities in ensuring that:

- (a) the Group has a sound risk management and internal control framework to identify, analyse, evaluate, manage and monitor significant risks; and
- (b) the Group uphold the integrity of financial and non-financial reporting.

2.0 COMPOSITION

The members of the AC shall be appointed by the Board from amongst the Non-Executive Directors and shall consist of not less than three members, the majority of whom are Independent Directors. No alternate Director shall be appointed as a member of the AC.

At least one member of the AC must be an accountant in accordance with the provisions in Main Market Listing Requirements (“MMLR”). All Members should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.

Former key audit partner shall observe a cooling-off period of at least two years before being appointed as a member of the AC.

In the event of any vacancy in an AC resulting in the non-compliance of the MMLR, the Board must fill the vacancy within 3 months.

3.0 CHAIRMAN OF THE AC

The Chairman of the AC must be an Independent Non-Executive Director and shall be elected from amongst the members, who shall not be the Chairman of the Board.

The Chairman of the AC together with other members of AC should ensure among others that:

- the AC is fully informed about significant matters related to the company’s audit and its financial statements and addresses these matters;
- the AC appropriately communicates its insights, views and concerns about relevant transactions and events to Internal and External Auditors;

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- AC's concerns on matters that may have an effect on the financial or audit of the company are communicated to the External Auditor; and
- there is co-ordination between Internal and External Auditors.

4.0 MEETINGS

At least four meetings shall be convened during a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. Other Directors, officers, employees, representatives of the Internal and External auditors may present in AC meeting only at the AC invitation, specific to the relevant meeting.

The AC 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 AC duly convened and held.

The quorum of the meeting of the AC shall be at least two members, a majority of whom must be Independent Directors.

Minutes of each meeting of AC shall be circulated to the AC members and presented to the Board. Issues discussed and actions recommended by the AC shall be presented and reported to the Board for decision.

5.0 SECRETARY

The Company Secretary or other appropriate senior official shall be the Secretary to the AC.

6.0 AUTHORITY

The AC shall:

- (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 Group;

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- (d) have direct communication channels with the Internal and External Auditors;
- (e) be able to obtain independent professional or other advice;
- (f) be able to convene meetings with the Internal and External Auditors, excluding the attendance of other directors and employees of the Group, whenever deemed necessary; and
- (g) be able to report to Bursa Securities promptly where a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR.

7.0 DUTIES AND RESPONSIBILITIES

The Board must ensure that the AC discharge the following functions:

7.1 Review the following and report the same to the board of directors of the Group:

- (a) the External Audit Plan, External Audit Report, External Auditor's evaluation of the system of internal controls and the assistance given by the employees of the company to External Auditors;
- (b) the appointment and adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (c) 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;
- (d) the quarterly results and year-end financial statements, before the approval by the board of directors, focusing particularly on -
 - i) changes in or implementation of major accounting policy changes;

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- ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - iii) compliance with accounting standards and other legal requirements;
 - (e) any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (f) resignation of the External and Internal Auditors of the Company; and
 - (g) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
- 7.2 Recommend the nomination of a person or persons as external auditors;
- 7.3 Review the internal and external auditors' fees recommended by management;
- 7.4 Review the Group's risk management framework; monitor the identification of principal risks that affect the Group; evaluate the adequacy and effectiveness of the risk management and mitigation measures in place; and review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report;
- 7.5 Prepare an AC report detailing:
- (a) the composition of the AC, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - (b) the number of AC meetings held during the financial year and details of attendance of each AC member;
 - (c) a summary of the work of the AC in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
 - (d) a summary of the work of the internal audit function.

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8.0 TRAINING AND DEVELOPMENT

Members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

9.0 SUITABILITY, OBJECTIVITY AND INDEPENDENCE OF EXTERNAL AUDITOR

When assessing the suitability, objectivity and independence of the external auditor, the AC shall establish 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
- 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.

10.0 SCOPE OF INTERNAL AUDIT FUNCTION

In developing the scope of the internal audit function, the AC should satisfy itself that:

- the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;
- internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
- the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.

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11.0 REVIEW OF AC

The Board of Directors must via Nominating Committee, if appropriate 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 its Terms of Reference.

This AC Terms of Reference is made in accordance with the resolution of the Board dated 21 June 2019.