

SECUREMETRIC BERHAD
(Company No.1234029-D)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Definition:

“Committee”	:	The Audit Committee of the Company.
“Company”	:	Securemetric Berhad and by whatever name from time to time called.
“CEO”	:	The principal executive officer of the Company for the time being, by whatever name called, and whether or not he is a Director.
“Group”	:	The Company and its subsidiaries.
“Listing Requirements”	:	Bursa Securities ACE Market Listing Requirements including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time.
“Board” or “Directors”	:	The Directors for the time being of the Company or such number of them as have authority to act for the Company.
“Code”	:	Malaysian Code on Corporate Governance and as amended from time to time.
“Designated Stock Exchange”	:	Bursa Malaysia Securities Berhad (Company No. 635998-W) for so long as the shares of the Company are listed and quoted on the Bursa Malaysia Securities Berhad and/or such other stock exchange in respect of which the shares of the Company may be listed or quoted.
“Management”	:	People who manage the Company
“Secretary”	:	Any person or persons jointly appointed to perform the duties of a secretary of the Company including any person(s) appointed temporarily and any representative of the secretary.

1. DATE ESTABLISHED

The Audit Committee was established on 7 November 2018.

2. Objectives

The primary objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries.

In addition, the Committee shall assist the Board:

- (a) In complying with specified accounting standards and required disclosure as administered by Bursa Securities, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) In presenting a balanced and understandable assessment of the Company's position and prospects;
- (c) In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors and overseeing and appraising the quality of audited conducted by the Company's internal and external auditors; and
- (d) In determining the adequacy of the Group's administrative, operating and accounting controls.

3. Composition

The Committee shall be appointed by the Board from its members pursuant to a resolution of the Board and must fulfil the following requirements:-

- (a) The Committee must comprise at least three (3) members, consisting wholly non-executive Directors and a majority of whom are independent.
- (b) At least one (1) member must be a member of the Malaysian Institute of Accountants or a person who fulfils the requirements as stated in the ACE Market Listing Requirements ("AMLR").
- (c) The Chairman must be independent.
- (d) No alternate Director shall be appointed as a member of the Committee.
- (e) In the event of any vacancy resulting in non-compliance of the minimum of three (3) members, the Board shall upon the recommendation of the Nomination Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event.

All members of the 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 Committee, and each of its members, at least once every three years to determine whether the Committee has carried out its duties in accordance with its Terms of Reference.

4. Secretary

The Secretaries of the Company shall be the Secretaries of the Committee.

5. Meetings

- (a) The Committee shall hold at least four (4) regular meetings per year, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be called at any time, at the discretion of the Chairman of the Committee.
- (b) The quorum for a meeting shall be two (2) members of the Committee, who must both be Independent Directors.
- (c) The CEO and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the Committee's Chairman. Other Board members, employees of the Company and representatives of the External Auditors may attend meetings upon the invitation of the Committee.
- (d) The Internal Auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend each Committee's meeting. The Committee shall meet at least twice a year with the External and Internal Auditors without the presence of executive Board members and the Senior Management. Upon the request of the Internal Auditors and/or External Auditors, the Committee Chairman shall also convene a meeting of the Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (e) The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- (f) Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.
- (g) Subject to paragraph (a) above, in appropriate circumstances, 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 Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

6. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on the proceeding of each meeting to the Board.

The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

The Committee members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

7. Reporting

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

8. Circular Resolution

A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.

Any such resolution may consist of several documents in like form each signed by two (2) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

9. Authority

In carrying out its duties and responsibilities, the Committee shall have the following rights:

- (a) The explicit authority to investigate any matter within its Terms of Reference;
- (b) Access to the resources which are required to perform its duties;
- (c) Full, free and unrestricted access to any information, records, properties and personnel of the Group;
- (d) Direct communication channels with the External and Internal Auditors;
- (e) Ability to obtain independent professional or other advice at the Company's costs, and to invite external parties with relevant experience to attend the Committee meetings, if required, and to brief the Committee thereof;
- (f) Ability to convene meetings with External and Internal Auditors, or both, whenever deemed necessary, excluding the attendance of other Directors and employees of the Company;
- (g) Promptly report to Bursa Securities where a matter reported by the Committee to the Board has not been satisfactorily resolved resulting in a breach of the AMLR; and
- (h) The attendance of any particular Committee meeting by other Directors and employees of the Company shall be at the Committee's invitation and discretion, and specific to that relevant meeting only.

10. Responsibilities and Duties

In fulfilling its primary objectives, the Committee undertakes, amongst others, the following responsibilities and duties:

External Audit

- a) To consider the nomination and appointment of External Auditors; and to consider the adequacy of experience and resources of the External Auditors and determine the audit fee;
- b) To review any letter of resignation from the External Auditors and any questions of resignation or dismissal;
- c) To discuss with the External Auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- d) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the External Auditors;
- e) To review with the External Auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- f) To review whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment; and
- g) Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

Internal Audit

- a) To review the following in respect of internal audit:
 - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - 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;
 - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function; and
 - review and approve any appointment, termination or resignation of the firm of internal auditors.

Risk Management

- a) Review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;
- b) Review the effectiveness of internal control systems deployed by the Management to address those risks;
- c) Review and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- d) Review and further monitor principal risks that may affect the Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
- e) Communication and monitoring of risk assessment results to the Board; and
- f) Actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group.

Whistleblowing

Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Corporate Governance

The Committee's responsibilities include:

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) To review and monitor the training and continuous professional development of Directors and senior management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance/risk management manual (if any) applicable to employees and Directors;
- (e) To review the Company's compliance with the Code and disclosure in the its Corporate Governance Report/Statement;
- (f) To report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so); and
- (g) To prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Report/Statement (including a report on the corporate governance policies and the work of the Committee during the year).

Others

- a) To review quarterly reporting to the Bursa Securities and year end annual financial statements of the Group before submission to the Board, focusing on:
 - compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies and practices; and
 - significant and unusual items and events as well as significant adjustments arising from the audit.
- b) To review 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;
- c) Review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report and report the same to the Board;
- d) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
- e) To promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the AMLR; and
- f) To consider any other functions as may be agreed between the Committee and the Board.

11. Elected Members

For information on the current members of the AC, please refer to the *Corporate Information* section, under “**Investor Relations**” on the Company's corporate website at: <http://www.securemetric.com/>