



TEXCHEM RESOURCES BHD.
(Company Registration No.: 197301002868 [16318-K])

AUDIT COMMITTEE

TERMS OF REFERENCE

Objective

1. The principal objective of the Audit Committee (AC) is to assist the Board in fulfilling its oversight responsibilities of the Group's financial reporting process and internal control system.

Membership

2. The AC shall be appointed by the Board from among its members and shall consist of no fewer than three (3) non-executive directors. All AC members should be non-executive directors, with a majority of them being independent directors. All members of the AC shall be financially literate and at least one (1) member should be a member of an accountancy association or body.
3. No former audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least five (5) years.
4. No alternate director shall be appointed as a member of the Committee.
5. The AC shall elect a Chairman from among its members who shall be an Independent Non- Executive Director who is not the Chairman of the Board. In the absence of the Chairman, the remaining members present shall among themselves elect a Chairman who must be an independent director to chair the meeting.
6. In the event of any vacancy in the AC resulting in the non-compliance with 2 above, the Board of Directors shall fill the vacancy within three months.

Authority

7. The AC is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
8. The AC is authorised by the Board to obtain external, legal or independent professional advice and to secure the attendance of such external advisors with relevant experience in meetings, if considered necessary.
9. The AC is authorised to convene meetings with the external auditors, internal auditors or both, without the presence of Management, other directors and employees, whenever deemed necessary.
10. The AC is authorised to have direct communication channels with the external auditors, internal auditors or both.



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Duties

11. The duties of the AC shall be

- (a) Oversight of financial reporting and its process:
 - (i) Review the quarterly unaudited financial statements of the Group with Management and recommend to the Board of Directors for consideration and approval;
 - (ii) Review the annual audited financial statements of the Company and the Group with Management and the external auditors and recommend to the Board of Directors for consideration and approval and;
 - (iii) Review the Group's Statement on Risk Management and Internal Control with Management and the external auditors and present to the Board for consideration and approval for inclusion in the Annual Report.
- (b) Oversight of external auditors and evaluation of the external audit process:
 - (i) Review with them, their audit plan, scope and areas of audit;
 - (ii) Review with them, their understanding of the internal control environment and systems obtained in the course of designing their audit procedures;
 - (iii) Review with them, their audit report;
 - (iv) Review with them, their management letters and management responses;
 - (v) Review with them, the adequacy of the co-operation given by the Company's officers in the course of the audit;
 - (vi) Review with Management annually, the appointment/re-appointment of the external auditors based on factors including but not limited to suitability, resources, competency and independence of the external auditors, their audit fee and any questions of their resignation or dismissal; and
 - (vii) Review with Management annually, the non-audit services performed by the external auditors taking into consideration the types of services rendered and their fees in accordance with the Policies and Procedures for the Assessment of Suitability and Independence of External Auditor and to ensure that the independence of the external auditors is not compromised.
- (c) Oversight of internal auditors and evaluation of the internal audit process:
 - (i) Review 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;
 - (ii) Review the annual Internal Audit plan, process and results of the Internal Audit activities including investigation and their evaluation of the Group's governance, risk management and internal control environment, systems and processes, and where necessary, ensure that appropriate actions are taken by Management on the recommendations of the Internal Audit function;



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- (iii) Review annually the performance of the Internal Audit function;
 - (iv) Review the annual performance appraisal or assessment of the Internal Audit staff including the adequacy of Internal Audit resources;
 - (v) Approve any appointment or termination of senior staff members of the Internal Audit function; and
 - (vi) Take cognizance of the resignation of Internal Audit staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.
- (d) Sustainability Reporting
- (i) Review the Group's Sustainability Statement with Management and presenting to the Board for consideration and approval for inclusion in the Annual Report.
- (e) Corporate Governance Reporting
- (i) Review the Group's Corporate Governance Overview Statement and Corporate Governance Report with Management and present to the Board for consideration and approval for inclusion in the Annual Report and Company's website respectively.
- (f) Related Party Transactions and Share Buy-back Statement
- (i) Review with Management the Circular to Shareholders in relation to the proposed renewal of existing shareholders' mandate for recurrent related party transactions and statement for the proposed renewal of existing share buy-back authority and presenting to the Board for consideration;
 - (ii) Review and approve the inclusion of the AC statements on the procedures for Recurrent Related Party Transactions in the said Circular;
 - (iii) Review with Management to ensure actual related party transactions are within limits approved by shareholders;
 - (iv) Review with Management any related party transaction and conflict of interest situation that arose, persist or may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts; and
- (g) To consider any other functions as may be agreed between the AC and the Board of Directors.



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Attendance, Quorum and Frequency of Meeting

12. The Chairman of the AC should engage on a continuous basis with senior Management, such as the Chairman, Group Chief Executive Officer, Group Chief Financial Officer / Group Finance Director, Chief Audit Executive and the external auditors in order to be kept informed of matters affecting the Company and the Group.
13. The Group Chief Financial Officer/Group Finance Director, Chief Audit Executive and representatives of the external auditors shall normally attend the meetings. Other Board members and employees may attend the meetings upon invitation of the AC. However, the AC shall meet with the external and internal auditors without the presence of Executive Board members and Management at least twice a year and whenever necessary.
14. In order to form a quorum in the AC meeting, the majority of members present must be Independent Directors.
15. The Committee shall meet not less than 4 times a year. The external auditors may request for meeting if they consider it necessary.
16. 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.

Minutes

17. The Chief Audit Executive shall act as Secretary to the AC. The Minutes of each AC meeting shall be kept at the registered office and distributed to each member of the AC and other members of the Board. The AC Chairman shall report on each meeting to the Board.
18. The minutes of the AC meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Review of the Term of Reference

19. The members of the Committee will assess, review and update the above terms of reference periodically or as and when there are changes to the regulatory requirements and changes to the direction or strategies of the Company that may affect the Committee's roles and recommend the changes for approval by the Board.