

**LYSAGHT GALVANIZED STEEL BERHAD**  
**THE AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**Composition of the Audit Committee**

The Committee shall be appointed by the Board from among its directors and shall fulfill the following requirements:-

- a) the Committee must be composed of no fewer than three (3) Non-Executive Directors;
- b) a majority of the Committee members shall be Independent Directors; and
- c) at least one member of the Committee:
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
    - aa) he/she must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
    - bb) he/she must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967.
  - iii) fulfils such other requirements as prescribed or approved by Bursa Securities

The members of the Committee shall elect a Chairman from among themselves who is an Independent Director. The Chairman of the Committee and the members shall be appointed by the Board based on the recommendations of the Nomination Committee.

No Alternate Director of the Board shall be appointed as a member of the Committee. In the event of any vacancy in the Committee resulting in the non-compliance of above paragraphs, the Board must fill the vacancy within three (3) months.

Any former partner of the external audit firm of the Company must have observed a cooling-off period of at least three years before one is eligible for appointment as members of the Committee.

The Nomination Committee is to review the term of office and performance of the Committee and each of its members annually to assess the extent to which the Committee and its members have discharged its responsibilities as set out in these terms of reference.

These terms of reference should be reviewed at least annually by the Committee or as and when there are changes to the Corporate Governance Code and Listing Requirements. The Committee shall discuss any changes required with the Board and ensure that such changes are approved by the Board.

**Rights**

The Committee shall, in accordance with the procedure to be determined by the Board and at the cost of the Company:-

- 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 Company;
- d) have direct communication channels with the internal and external auditors and with Senior Executive Management;

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- e) be able to obtain independent professional or other advice;
- f) be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of the other directors and employees of the Company.

**Functions**

The functions of the Committee shall include the following:-

- (1) review of the following and report the same to the Board:-
  - a) with the external auditor, the audit plan, their audit report, major findings and management's responses thereof;
  - b) with the external auditor, his evaluation of the system of internal controls;
  - c) the assistance given by the employees of the Company to both the internal and external auditor;
  - d) audit fees, including the monitoring and approval of all non-audit services;
  - e) consider the nomination, appointment (and re-appointment), resignation and dismissal of the external auditors as well as the external auditors' independence, objectives and effectiveness, taking into consideration their relevant professional and regulatory requirements;
  - f) review, assess and monitor the performance, suitability and independence of the external auditors;
  - g) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
  - h) the quarterly results and year-end financial statement, prior to the approval by the Board, focusing particularly on:-
    - i) changes in, or implementation of, major accounting policy changes;
    - ii) significant matters highlighted including financial reporting issues;
    - iii) significant judgement made by Executive Management;
    - iv) significant and unusual events or transactions;
    - v) the going concern assumption; and
    - vi) compliance with financial reporting standards and other legal requirements.
  - i) review the following in respect of internal audit function:
    - i) 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 functions;
    - ii) the internal audit plan, programme and processes;
    - iii) the results of internal audit assessments, processes or investigation undertaken and ensure appropriate actions are taken to implement recommendations by the internal audit function;
    - iv) co-ordination of external audit with internal audit; and
    - v) the appointment or termination of the internal auditors, appraisal and assessment of the performance of the internal auditors. If internal audit members are engaged in-house, take cognisance of resignations of any internal audit member and provide the resigning internal audit member an opportunity to submit his/her reasons for resigning.

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- (2) review and monitor any related party transactions and conflict of interest situations that arose, persist or may arise within the 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.
- (3) oversee the Group's internal control structure on operational effectiveness and efficiency, reduced risk of inaccurate financial reporting, safeguard the Group's assets from misappropriation and compliance with legal and regulatory requirements.
- (4) discuss problems and reservations arising from the audits and any matters the external auditors may wish to discuss in the absence of the management and/or executive board members where necessary.
- (5) consider the major findings of internal investigations and management's responses.
- (6) to report breaches of the Main Market Listing Requirements which have not been satisfactorily resolved, to Bursa Securities.
- (7) any other activities, as authorised by the Board.

**Meetings and Minutes**

- (1) Secretary

The Company Secretary or his or her nominee shall act as the secretary of the Committee.

- (2) Frequency of Meetings

The Committee shall meet at least Four (4) times in each financial year and more frequently if required, as determined by the Chairman. The Committee shall meet at least once (1) a year with the external auditors without the presence of any Executive Director. Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the Directors or Shareholders of the Company. Whenever deemed necessary, meetings can be convened with the external auditors, internal auditors or both, excluding the attendance of other directors and employees.

The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting.

Other Board members and any other persons may attend any particular meeting only at the Committee's invitation.

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(3) Notice of Meetings

Meetings of the Committee shall be arranged by the Committee Secretary at the request of the Committee Chairman or any other member of the Committee.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers. The Committee Secretary shall ensure that agenda and supporting papers are received in a timely manner to enable full and proper consideration.

(4) Quorum for Meetings

The quorum for the meeting shall be two (2) members provided always that the majority of members present must be independent directors and any decision shall be by a simple majority.

(5) Attendance at Meetings

The Head of Finance and Admin Department and Internal Auditors and a representative of the external auditor should normally attend the meetings. Other Board members may attend meetings upon the invitation of the Committee. However, the Committee should meet with the external auditors and internal auditors or both without Executive Board members present at least twice (2) a year.

(6) Voting at Meetings

A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.

(7) Minutes of Meetings

The Committee Secretary shall minute the proceedings and resolutions of all Committee meetings.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Committee unless it is deemed inappropriate to do so.

(8) Reporting Responsibilities

The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.