

ELK-Desa Resources Berhad
Company Registration No. 198901002858 (180164-X)
[Incorporated in Malaysia]

AUDIT COMMITTEE TERMS OF REFERENCE

Composition

The Board of Directors appoints from among its members to the Audit Committee as follows:-

- the Audit Committee shall comprise no fewer than three (3) members. In the event of any vacancy resulting in the non-compliance of the requirements, the Company must fill the vacancy within three (3) months;
- all the Audit Committee members must be non-executive directors, with a majority of them being independent directors. The Chairman of the Board shall not be a member of the Audit Committee;
- at least one of the members of the Audit Committee must be a member of the Malaysian Institute of Accountants (MIA) or a person approved under Bursa Malaysia Securities Berhad Listing Requirements;
- a former partner of the external audit firm of the Company shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee;
- no alternate director shall be appointed as a member of the Audit Committee;
- the members of the Audit Committee shall elect a Chairman from among its members who shall be an independent non-executive director; and
- the term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board via the Nomination Committee every year to determine whether such Audit Committee and its members have carried out their duties in accordance with their terms of reference.

Secretary

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

Quorum

The quorum for the meeting of the Audit Committee shall be two (2), where the majority of members present must be independent directors.

Meetings

The Committee shall meet at least five (5) times a year although additional meetings may be called at any time at the discretion of the Chairman. The Audit Committee meeting should be conducted separately from the board meeting to enable objective and independent discussion during the meeting. Participation by a member in a meeting by conference telephone, video, electronic or such other communication facilities will be allowed, and shall be treated as if that member was present in person at the said meeting.

Other directors and employees attend Audit Committee meetings only at the Audit Committee's invitation.

Minutes and Proceedings

The Committee shall cause minutes to be made in respect of the proceedings and resolutions of all its meetings.

The minutes of the Audit Committee meetings shall be tabled at the Board Meetings to inform the Board of the activities of the Audit Committee.

Authority

The Committee is authorised by the Board:-

- to investigate any activity within its terms of reference;
- to have at its disposal the resources which are required to perform its duties;
- to have full and unrestricted access to any information pertaining to the Group;
- to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities;
- to obtain independent professional or other advice at the company's expense, if necessary;
- to have access to the advice and services of the company secretaries;
- to convene meetings with the external auditors, the internal auditors or both, without the presence of other members of the Board and employees of the Company, whenever deemed necessary; and
- to assess requirements of non-audit services before they are rendered by the external auditors and its' affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fee which will not impair the independence of the external auditors.

Key Functions and Responsibilities

The key functions and responsibilities of the Audit Committee shall be:-

- to recommend to the Board on the appointment and dismissal of the external auditors, the audit fees and other related matters.
- to discuss with the external auditors before the audit commences, the nature and scope of the audit.
- to assess and evaluate the independence of the external auditor.
- to review the following and report the same to the Board:-
 - ❖ the external auditor's report, management letter and management response in evaluating the Company's and the Group's system of internal control. To ensure that senior management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations;
 - ❖ the assistance given by the employees of the Company to the external auditors;

- ❖ 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;
 - ❖ the internal audit plan, processes, the results of the internal audits assessments and investigation, if any;
 - ❖ the follow-up actions taken by the management on findings and recommendations by both the internal and external auditors;
 - ❖ the Group’s quarterly results and year-end financial statements, before submission to the Board, focusing particularly on:-
 - any changes in or implementation of major accounting policy changes;
 - 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
 - compliance with accounting standards and other legal requirements.
 - ❖ any related party transaction and conflict of interest situation that arose, persist, or may arise during the financial year together with the measures to resolve, eliminate or mitigate such conflicts, within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
 - ❖ the Statement on Risk Management and Internal Control.
- To review cases that are submitted by stakeholders to the outsourced whistleblowing service provider and to take appropriate action accordingly.
 - To review matters relating to the requirements of compliance to the Anti-Bribery and Anti-Corruption policy and to review the standard operating procedures in relation to the Company or the Group’s business activities.
 - To carry out risk management oversight and control and report the same to the Board:
 - ❖ review the Company’s Enterprise Risk Management (“ERM”) Framework(incorporating policy and process), including changes or additions;
 - ❖ review and validate prioritised risks identified, risk profile and risk registers and evaluate against risk appetite;
 - ❖ monitor effectiveness of management’s responses/mitigation of key risks;
 - ❖ review the risks associated with material sustainability matters and climate-related risks; and
 - ❖ review new risks that could have a significant financial, strategic, operational or reputational impact and escalate to the Board as appropriate.
 - To consider other related matters from time to time as defined by the Board.

Review of Terms of Reference

The Committee shall, at least once a year, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.