

RIMBUNAN SAWIT BERHAD
(Company No. 691393-U)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Constitution

The functions and authority of the Audit Committee (“the Committee”) extend to Rimbunan Sawit Berhad (“the Company”) and all its subsidiary companies, collectively referred to as “the Group”.

2. Primary Objectives

The Committee has been formed with the following objectives:

- a) enhance openness, integrity and accountability in the activities of the Company and the Group so as to safeguard the rights and interests of the shareholders;
- b) provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- c) enhance the Company’s and the Group’s business effectiveness and efficiency, quality of the accounting and audit functions and strengthen the public’s confidence in the reported results of the Company and the Group;
- d) maintain, through regularly scheduled meetings, a direct line of communication between the Board of Directors and the internal and external auditors; and
- e) enhance the independence of the internal audit functions.

3. Membership

The Committee shall be appointed by the Board of Director from amongst their number and shall consist of not less than three (3) members. All members of the Committee must be non-executive directors, with a majority of them being independent directors. No alternate director shall be appointed as a member of the Committee.

At least one (1) member of Committee:-

- must be a member of the Malaysian Institute of Accountants (“MIA”); or
- must have at least three (3) years’ working experience if he is not a member of MIA and:-
 - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

If membership of the Committee for any reason falls below three (3) members, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to fulfil the minimum requirement.

Any former audit partner must have observed a cooling-off period of at least three (3) years before one is eligible for appointment as AC member.

4. Chairman

The Chairman of the Committee (“Chairman”) shall be an Independent Director elected by the members of the Committee. If the Chairman is absent at any meeting, members present at the meeting shall elect one (1) of them who is an Independent Directors to chair the meeting. In the event the position of Chairman falls vacant, it must be filled within three (3) months therefrom.

5. Secretary

The Secretary to the Committee shall be any one (1) of the joint company secretaries. In the absence of the Secretary at the meeting, the members present at the meeting shall elect any other person as the Secretary of the meeting.

6. Quorum

A quorum shall be consist of a majority of independent directors and shall not less than two (2) independent directors. For the purpose of determining whether the quorum for the transaction of the business of the Committee exists in the case of a meeting of Committee, in addition to the members present at the meeting, any member in telephone communication or other electronic means with such meeting shall be counted in the quorum.

7. Meeting and Minutes

The Committee shall hold at least four (4) meetings a year. Additional meeting may be held as and when necessary, upon request by any Committee member, the Management, Internal or External Auditors. The Internal Audit Manager and the Senior Manager, Group Accounts are normally invited to attend the meetings. Other members of the Board of Directors, employees and representative of External Auditors shall attend the meetings upon the invitation of the Committee.

Notice of any meeting of the Committee may be given by telephone or facsimile and the contemporaneous linking together by telephone or such other electronic communication of a number of the members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as:

- a) the quorum of the Committee is met;
- b) at the commencement of the meeting each member acknowledges the presence thereof to all the other members taking part and such participation shall be deemed to be present in person;
- c) each of the members taking part is able to hear each of them subject as hereinafter mentioned throughout the meeting;

- d) the members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone or such other electronic communication, but the meeting shall be deemed to have been conducted validly notwithstanding that a member's telephone or such other electronic communication is accidentally disconnected during the meeting and the proceeding thereof shall be deemed to be as valid as if the telephone or such other electronic communication had not been disconnected;
- e) all information and documents are made equally available to all participants prior to or at/during the meeting; and
- f) minutes of the proceedings shall be sufficient evidence thereof and of the observance of all necessary formalities if signed and certified by the Chairman.

Notice of meeting and board papers shall be given to all members of the Committee at least 14 days and seven (7) days respectively before the date of meeting.

The secretary shall discuss with the Senior Management on the agenda item. The final agenda for the meeting shall be approved by the Committee's Chairman or in his absence, by any one (1) of the Committee's members. The Secretary will inform/remind the relevant head of department to submit their report/materials on presentation to him/her at least eight (8) days before the date of meeting. In the case where the subject matter/agenda item is sensitive or otherwise confidential or in a state of flux, the report/materials/paper shall be directly circulated/presented at the meeting.

The decision of the Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

Minutes of each 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 and shall be accepted as prima facie evidence without further proof of the facts stated therein. Such minutes of meetings shall be kept by the secretary and distributed to each member of the Committee.

A resolution in writing signed by all Committee members shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member.

8. Authority

The Committee is authorised by the Board of Directors to:

- a) investigate any activity/matter within its terms of reference and shall have unrestricted access to all employees of the Company and Group;
- b) have the resources in order to perform its duties as set out in its terms of reference;
- c) have full and unrestricted access to any information pertaining to the Company and the Group;
- d) have direct communication channels with the internal and external auditors;
- e) obtain external legal or other independent professional advice as necessary; and
- f) convene meetings with the internal auditors, external auditors or both, excluding the attendance of other Directors and employees of the Company and Group at least twice (2) a year.

Notwithstanding anything to the contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendations thereon, pertaining to the Company and the Group.

9. Responsibility

Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Listing Requirements, the Committee has a responsibility to promptly report such matter to Bursa Malaysia Securities Berhad.

10. Functions and Duties

The duties of the Committee are to:

- a) consider the nomination, appointment, re-appointment, resignation and dismissal of External Auditors, the auditors' remuneration and any questions of resignation or dismissal;
- b) review whether there is reason (supported by grounds) to believe that the External Auditors of the Company and the Group are not suitable for re-appointment;
- c) review the nature and scope of audit plans prepared by the Internal and External Auditors before the audit commence, and ensure co-ordination where more than one (1) audit firm is involved;
- d) review the audit reports prepared by the External Auditors, the major findings and the Management's responses thereto;
- e) discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to bring up;

- f) review the quarterly and annual financial statements of the Company and the Group primarily focusing on the matters set out below, before submission to the Board of Directors for approval:
- 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 addresses; and
 - compliance with accounting and financial reporting standards and other legal requirements.
- g) review the internal audit programme, processes, the results of the internal audit programme and to consider the internal audit reports, major findings and the Management's responses thereto on any internal investigations carried out by the internal auditors and ensure that appropriate action is taken by the Management in respect of the audit observations and the Committee's recommendations;
- h) review the auditors' evaluation of the system of internal controls;
- i) review the adequacy of the scope, functions, competency and resources of the internal audit functions and whether it has the necessary authority to carry out its work;
- j) review any appraisal or assessment of the performance of the members of the internal audit function;
- k) approve any appointment or termination of senior staff members of the internal audit function;
- l) be informed of any resignation of the internal audit staff members and to provide the resigning staff members an opportunity to submit his or her reasons for resigning;
- m) review the assistance given by the Company's and the Group's employee to the Internal and External Auditors;
- n) review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of the Management integrity;
- o) to establish and review the policies and procedures to assess the suitability and independence of External Auditors; and
- p) perform such other functions as may be agreed to by the Committee and the Board of Directors.

11. Review of the Composition of the Committee

The Nomination Committee shall review the term of office, performance and effectiveness of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.