

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

(Company No. 4372-M)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. COMPOSITION

1. The Audit Committee shall comprise at least three (3) members, the majority of whom are independent. All the members of the Audit Committee must be Non-Executive Directors.
2. The Chairman of the Audit Committee shall be an Independent Non-Executive Director.
3. The Company Secretary shall be the Secretary of the Audit Committee.
4. At least one (1) member of the Audit Committee shall be:-
 - 4.1 a member of the Malaysian Institute of Accountants ("MIA"); or
 - 4.2 if he is not a member of the MIA, he must have at least three (3) years' working experience and:
 - (a) have passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act 1967;
 - (b) is a member of one of the associations specified in Part II of the said schedule;
 - 4.3 fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad or approved by the Securities Commission.
5. No alternate Director shall be appointed as a member of the Audit Committee.
6. At least two (2) years cooling-off period shall be observed, before a former key audit partner is appointed as a member of the Audit Committee.

B. AUTHORITY

1. The Audit Committee is authorised by the Board to review any activity within the Audit Committee's terms of reference. It is authorised to seek any information it requires from any Director or member of management and have full and unrestricted access to any information pertaining to the Group and the management, and all employees of the Group are required to comply with the requests made by the Audit Committee.
2. The Audit Committee is authorised by the Board to obtain external professional advice and secure the attendance of any external party with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

3. In the event that any member of the Audit Committee shall need to seek external professional advice in furtherance of his or her duties, he or she shall first consult with and obtain the prior approval of the Chairman of the Audit Committee.
4. The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.
5. Recommend to the Board any appropriate changes to the duties of the Audit Committee.

C. DUTIES OF THE AUDIT COMMITTEE

1. To review the quarterly and annual financial statements of the Group, focusing particularly on:
 - (a) any significant changes to accounting policies and practices;
 - (b) significant adjustments arising from the audits;
 - (c) compliance with applicable Financial Reporting Standards and other legal and regulatory requirements; and
 - (d) the going concern assumption;
2. To review any related party transaction and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
3. To consider annually the Risk Management framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximise opportunities;
4. To ensure that systems of internal control are soundly conceived and in place, effectively administered and regularly monitored;
5. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group's Standards of Business Conduct;
6. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;
7. To recommend to the Board steps to improve the systems of internal control derived from the findings of the internal auditor and external auditor and from the consultations of the Audit Committee itself;

8. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Group specifically;
 - (a) To review the internal audit plans and to be satisfied as to their consistency with the Risk Management Framework used, adequacy of coverage and audit methodologies employed;
 - (b) To be satisfied that internal audit has the competency and qualifications to enable them to complete their mandates and approved audit plans;
 - (c) To review status reports from internal audit and ensure that proper action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed appropriate as a consequence of the issues or concerns identified;
 - (d) To review any appraisal or assessment of the performance of the members of the internal audit, approve any appointment or termination of senior staff members of the internal audit function and inform itself of any resignations of internal audit staff members and reasons thereof;
 - (e) To ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
 - (f) To request and review any special audit which it deems necessary;
9. To review with the external auditor the nature and scope of the audit plan, audit report, evaluation of internal controls and ensure co-ordination where more than one external auditor is involved. The Audit Committee will consider a consolidated opinion on the quality of external auditing at its meetings;
10. To review any matters concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditor;
11. To review and evaluate factors related to the independence of the external auditor and assist the external auditor in preserving its independence;
12. To be advised of significant use of the external auditor in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that the external auditor's position as auditors is not deemed to be compromised;
13. To review the external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
14. To recommend to the Board, steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself;
15. To review with the external auditor the statement of internal control of the Group for inclusion in the annual report;

16. To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report;
17. To review the Board's statements on compliance with the Malaysian Code of Corporate Governance ("Code") for inclusion in the annual report;
18. Report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board; and
19. To act on any other matters as maybe directed by the Board.

D. MEETINGS AND MINUTES

1. The Audit Committee shall meet at least four (4) times annually. However, at least twice a year, the Audit Committee shall meet with the external auditors without Executive Directors being present.
2. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
3. Other than in circumstances which the Chairman considers inappropriate, the Finance Director and external auditors shall normally be entitled to attend any meeting of the Audit Committee and to make known their views on any matter under consideration by the Audit Committee, or which in their opinion, should be brought to the Audit Committee's attention. Non-member Directors and employees of the Group shall not attend unless specifically invited by the Audit Committee.
4. The Chairman of the Audit Committee should engage with senior management and the external auditors on a continuous basis in order to be kept informed of the matters affecting the Group.
5. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required.
6. The Audit Committee shall report to the Board and its minutes will be tabled to and noted by the Board.
7. A resolution in writing signed or approved by a majority of all members of the Audit Committee shall be valid and effectual as if it had been passed at a meeting of the Audit Committee. All such resolutions shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members of the Audit Committee. The expressions "in writing" or "signed" include approval by legible confirmed transmission by way of letter, facsimile, electronic means or other means of communication.

E. INTERNAL AUDIT FUNCTION

1. The Internal Auditor shall have direct access to the Chairman of the Audit Committee and shall report directly to the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of Internal Audit shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.