



# TERMS OF REFERENCE OF BOARD AUDIT COMMITTEE

Name of policy: Terms of Reference of Board Audit Committee

Version: 2

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## 1. **OBJECTIVES**

The principal objectives of the Board Audit Committee ("**AC**") are to assist the Board of Directors ("**Board**") in discharging its statutory duties and responsibilities relating to accounting and reporting practices, which shall include risk impact in the financial reporting including compliance matters of the Company and each of its subsidiaries.

In addition, the AC shall:-

- a) ensure the integrity of the financial statements and that it complies with the applicable financial reporting standards
- b) evaluate the quality of the audits performed by the Internal and External Auditors;
- c) recommending the independence, appointment/continuation, compensation and oversight of the Internal and External Auditors; recommending the independence, appointment/continuation, compensation and oversight of the Internal and External Auditors;
- d) provide assurance that the financial information presented by management is relevant, reliable and timely;
- e) oversee compliance with laws and regulations and observance of a proper code of conduct;
- f) determine the quality, adequacy and effectiveness of the Company's control environment which shall include risk and compliance scopes; and
- g) oversee compliance with laws and regulations and observance of a proper code of conduct.

## 2. **COMPOSITION**

- a) The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, all of whom shall be Independent Non-Executive Directors.
- b) At least one (1) member of the AC must be:-
  - i. a member of the Malaysian Institute of Accountant ("**MIA**"); or
  - ii. if he or she is not a member of MIA, he or she must have at least three (3) years of working experience 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 the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

- iii. fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("**Bursa Securities**").
- c) All members of the AC shall be financially literate and have sufficient understanding of the Company's business.
- d) No alternate director shall be appointed as a member of the AC.
- e) Chairman of the Board of Directors shall not be appointed as a member of the AC.
- f) Any former partner of the external audit firm<sup>#</sup> who is to be appointed as a member of the Audit Committee must observe a cooling-off period of at least three (3) years before his/her appointment as a member of the AC.

*Note:-*

*#This applies to all former partners of the audit firm and/or the affiliate firm(s), including those providing advisory services, tax consulting etc.*

### **3. CHAIRMAN**

- a) The members of the AC shall elect a Chairman from amongst their number whom shall be an Independent Director and whom shall not be the Chairman of the Board of Directors of the Company.
- b) In the absence of the Chairman of the AC, the other members of the AC shall amongst themselves elect a Chairman who must be an Independent Director to chair the meeting.
- c) The Chairman of the AC together with other members of the AC should ensure amongst others, that:-
  - i. the AC is fully informed about significant matters related to the Company's audit and its financial statements and address these matters;
  - ii. the AC appropriately communicates its insights, views and concerns about relevant transactions and issues to the Internal and External Auditors to which timely response shall be obtained;
  - iii. AC's concerns on matters that may have an effect on the financial or audit of the Company are communicated to the Internal and/or External Auditors, where applicable; and
  - iv. there is co-ordination between Internal and External Auditors.
- d) The Chairman of AC shall be one (1) of the designated persons for receiving of whistleblowing reports in respect of matters relating financial reporting, unethical or illegal conduct.

#### **4. RETIREMENT AND RESIGNATION**

If any member of the AC retires, re-designates, resigns, dies, or for any reason ceases to be a member or Chairman resulting in non-compliance with *Clauses 2(a), 2(b) and 3(a)* above, the Board and the members of the AC shall within three (3) months of the event appoint/elect such new member(s) or Chairman as may be required to fill the vacancy.

#### **5. TERM OF OFFICE**

The term of office and performance of the AC would be reviewed by the Nomination Committee annually.

#### **6. SECRETARIES**

The Company Secretaries shall be the Secretaries of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

#### **7. MEETINGS**

- a) The AC shall meet at least four (4) times per annum in alignment with the quarterly reporting cycles or as regularly deemed fit, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.
- b) Upon the request of the External Auditors, the Chairman of the AC shall convene a meeting of the AC to consider any matter the External Auditors believe should be brought to the attention of the directors or shareholders.
- c) Notice of AC meetings shall be given in writing at least seven (7) days prior to the meeting date and sent through the post, facsimile, electronic mail and by any means of telecommunication in permanent written form to all the AC members, except in the case of emergency, where the AC may waive such requirement.
- d) All agendas for the respective meetings shall be circulated at least five (5) days prior to the date of the meeting.
- e) The AC members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- f) The Chairman of the AC shall engage on a continuous basis with the Chairman of the Board, senior management, such as the Executive Director(s) and the General Manager of Finance, the Internal Auditors and

the External Auditors in order to be kept informed of matters affecting the Company.

- g) The General Manager of Finance and a representative of the Internal and External Auditors respectively should normally attend AC meetings (if so required). Other Board members and employees may attend meetings upon the invitation of the AC. The AC shall be able to convene meetings with the External Auditors, Internal Auditors or both, without the presence of the other executive Board members and/or employees, whenever deemed necessary.
- h) 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.

## **8. QUORUM**

The quorum for the AC meeting shall be the majority of members present whom must be Independent Directors.

## **9. MINUTES**

- a) Minutes of each meeting shall be circulated to all AC members within fourteen (14) working days of the meeting.
- b) Minutes of each meeting shall be kept at the registered office and distributed to each member of the AC and also to the other members of the Board. The AC Chairman shall report on the proceeding of each meeting to the Board.
- c) The minutes of the AC 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.
- d) The AC members may inspect the minutes of the AC at the Registered Office or such other place as may be determined by the AC.

## **10. CIRCULAR RESOLUTION**

A resolution in writing signed by a majority of the AC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more AC members. Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by electronic mail, telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an AC member.

## **11. REPORTING**

The AC shall report and recommend to the Board, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The AC shall report and recommend to the Board on any specific matters referred to it by the Board for investigation and report.

## **12. AUTHORITY**

The AC shall, in accordance with a procedure to be determined by the Board and at the cost and expense of the Company, where necessary and reasonable for the performance of its duties:-

- a) have explicit authority to investigate any matter or activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the AC;
- b) have the resources which are required to perform its duties;
- c) have full and unlimited/ unrestricted access to all information and documents/ resources which are required to perform its duties, as well as to the Internal and External Auditors and Senior Management of the Company and its subsidiaries ("**the Group**");
- d) have direct communication channels with the Internal Auditors, External Auditors and/or person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- f) be able to convene meetings with the Internal Auditors, External Auditors or the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary; and
- g) where the AC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the AC shall promptly report such matter to Bursa Securities.

## **13. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the AC are as follows:-

- a) To review the quarterly reports on consolidated results and year-end financial statements of the Company before submission to the Board, focusing particularly on:-
  - i. changes in or implementation of major accounting policy changes;

- ii. significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - iii. compliance with applicable accounting standards and other legal requirements;
  - iv. significant adjustments arising from the audit;
  - v. the going concern assumption;
  - vi. major judgement areas; and
  - vii. the financial report impact of risk management that may have an impact on the profit and loss.
- b) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management, where necessary);
- c) To review with Management:-
- i. audit reports and management letter issued by the External Auditors and the implementation of audit recommendations; and
  - ii. interim financial information.
- d) To monitor the integrity of the Company's financial statements;
- e) To consider the appointment and/or re-appointment of the External Auditors, the audit fee and any questions of resignation or dismissal, including recommending the nomination of person(s) as External Auditors;
- f) To govern the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the External Auditors;
- g) To review the following and report the same to the Board:-
- i. with the External Auditors, before the audit commences, the nature and scope of the audit plan, and ensure co-ordination where more than one (1) audit firm is involved;
  - ii. with the External Auditors, his evaluation of the system of internal controls;
  - iii. with the External Auditors, the audit report;
  - iv. the results of their valuation of the accounting policies and systems of internal accounting controls within the Group;



- v. the assistance given by the employees of the Company to External Auditors, including any difficulties or disputes with Management encountered during the audit;
  - vi. any letter of resignation from the External Auditors of the Company; and
  - vii. whether there is reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment.
- h) To assess the performance, suitability, objectivity and independence of the External Auditors. This assessment should be conducted annually;
- i) To establish and maintain the policy and procedures to assess the suitability, objectivity and independence of the External Auditors in order to safeguard the quality and reliability of audited financial statements;
- j) To discharge the following duties and responsibilities, in relation to the internal audit function:-
- i. ensure that the internal audit function is effective and able to function independently;
  - ii. determine the scope of work of the internal audit function;
  - iii. approve the budget or internal audit fees for the internal audit function;
  - iv. review and report the same to the Board, 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;
  - v. review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - vi. review the internal audit plan, processes, the internal audit reports, results and findings of the internal audit assessments, investigations undertaken and whether or not appropriate actions and steps have been taken in response to recommendations on audit findings;
  - vii. review any appraisal or undertake assessment of the performance of Internal Auditors or members of the internal audit function;
  - viii. approve any appointment, termination or removal of Internal Auditors or members of the internal audit function; and
  - ix. take cognisance of resignations of Internal Auditors or members of the internal audit function and provide them an opportunity to submit their reason for resigning;
- k) To oversee and recommend the internal control framework of the Group;—
- l) To consider the major findings of internal investigations, including fraud investigations and Management's response;

- m) To report to the Board, its findings on the financial and management performance and other material matters;
- n) To consider any related party transaction entered into by the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transaction annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management integrity;
- o) To monitor the Company's compliance with relevant laws, regulations and code of conduct;
- p) To review the adequacy and effectiveness of internal control and governance systems;
- q) To review whistleblowing reports either made through the Company following established communication and feedback channels or through any other means;
- r) To consider and examine such other matters as the AC considers appropriate; and
- s) To consider other matters as defined by the Board.

## **15. REVIEW**

This Terms of Reference shall be assessed, reviewed and updated where necessary. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the AC's role. All amendments to the Terms of Reference, as recommended by the AC, must be approved by the Board.

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