

## **TERMS OF REFERENCE OF BOARD AUDIT COMMITTEE**

### **1. Composition of members**

The Board shall appoint the Board Audit Committee (“BAC”) members from amongst themselves, on the recommendation from the Board Nomination and Remuneration Committee (“BNRC”), comprising no fewer than three (3) members, all of whom must be non-executive directors and a majority of whom shall be independent non-executive directors which fulfills the requirements under the Main Market Listing Requirements (“Bursa Listing Rules”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

All members of the BAC shall be financially literate and at least one (1) member of the BAC must be an independent non-executive director who:

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

No alternate director of the Board shall be appointed as a member of the BAC.

### **Retirement and resignation**

Member of the BAC may relinquish their membership with prior written notice to the Company Secretary. If a member of the BAC resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### **2. Term of Office**

The term of office and performance of the BAC and each of its members shall be reviewed at least once every three (3) years by the Board of Directors; to assess whether the BAC and its members have carried out their duties in accordance with their terms of reference.

A formal evaluation of the performance of all Board Committee members should be undertaken by the BNRC annually.

### **3. Chairman**

The members of the BAC shall elect a Chairman from amongst themselves who shall be an independent non-executive director. The BAC Chairman shall not be the Chairman of the Board.

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In the absence of the Chairman of the BAC, the other members of the BAC shall amongst themselves elect a Chairman who must be independent non-executive director to chair the meeting.

In the event of any vacancy in the BAC resulting in the non-compliance with requirements on composition of BAC and the election of an independent Chairman of the BAC, a listed issuer must fill the vacancy within 3 months.

The Chairman of the BAC shall report and provide recommendations to the Board on any matter that need to be brought to the Board's attention and approval at the Board meeting.

**4. Secretary**

The Company Secretary shall be the Secretary of the BAC and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

**5. Meetings**

The BAC shall meet at least five (5) times a year, on a quarterly basis, 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.

Upon the request of the external auditor, the Chairman of the BAC shall convene a meeting of the BAC to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of BAC meetings shall be given to all the BAC members at least fourteen (14) days prior to each meeting unless the BAC waives such requirement.

BAC member may participate BAC meeting by means of telephone conference or video conference or any other means of audio/visual communications and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.

The Chairman of the BAC shall engage on a continuous basis with senior management, such as the Executive Chairman, the Managing Director, the Executive Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company. The BAC shall meet with the internal auditors without executive Board members or employees present, whenever deemed necessary.

The Executive Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the BAC. However, the BAC shall meet with the external auditors without executive Board members or employees present at least twice in a financial year and whenever necessary.

Questions arising at any meeting of the BAC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the BAC shall have a second or casting vote.

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A member of the BAC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which give rise to an actual or perceived conflict of interest situation.

For good governance, each member must attend at least 50% of the meetings held within the year, failing which Board Nomination and Remuneration Committee will decide on the member's disqualification.

**6. Written Resolution**

A resolution in writing signed or approved by letter or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be described as "BAC Members' Written Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one or more directors.

**7. Minutes**

Minutes of each meeting shall be kept at the registered office by the secretary and distributed to each member of the BAC and also to the other members of the Board. The BAC Chairman shall report on each meeting to the Board.

The minutes of the BAC 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.

**8. Quorum**

The quorum for the BAC meeting shall be at least two of the members present and the majority of members present must be independent directors.

**9. Objectives**

The principal objectives of the BAC are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the BAC shall:

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

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**10. Authority**

The BAC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the BAC.
- (b) 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 Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend meetings, if necessary.
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (f) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.
- (g) the BAC shall report to the Board on matters considered and its recommendations and where the BAC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the BAC shall promptly report such matter to Bursa Securities.

**11. Duties and Responsibilities**

The duties and responsibilities of the BAC are as follows:

**Financial Reporting**

- (a) To monitor the integrity of and review the Group's financial statements, annual reports and accounts, and quarterly results and annual financial statements of the Company and the Group with Management and external auditors, prior to the approval by the Board of Directors, focusing particularly on:
  - any changes in or implementation of major accounting policies and practices changes;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption and any qualifications;
  - compliance with accounting standards and other regulatory requirements
  - Significant matters highlighted in the financial statements including the "Key Audit Matters" and significant and unusual events or transactions and, how the matters are addresses; and
  - Significant judgements made by management.

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In respect of the above, the BAC shall (i) liaise with the Board of Directors and senior management; (ii) meet at least twice (2) a year with the Company's external auditors; and (iii) consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

- (b) Propose best practices on disclosure in financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.

**External Auditors**

- (a) To recommend the nomination and consider the appointment and re-appointment of the external auditor, and to approve the audit fee and/or remuneration and the terms of engagement of the external auditor and any question of resignation or dismissal;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
- (c) To assess the performance, capability, suitability, objectivity and independence of the External Auditors and the effectiveness of the audit process in accordance with the applicable standards;
- (d) To review with the external auditor his evaluation of the system of internal controls, audit plan (including the audit and non-audit services), audit report, audit approach and assistance given by the employees of the Company to the external auditor;
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the External Auditors' audit report and report the same to the Board.
- (g) To review the external auditor's management letter and material queries issued and consider management's responsiveness to the External Auditors' findings and recommendations, particularly on internal control deficiencies that need to be addressed, and to ensure that the Board of Directors will provide a timely response to the issues raised in the External Auditor's management letter;
- (h) To require a former partner of the Company's External Audit Firm and or the affiliate firm (including those providing advisory services, tax consulting, etc.) to observe a cooling-off period of at least three years from the date of the person ceasing (i) to be a partner of the firm, or (ii) to have any financial interest in the firm, whichever is later, before being appointed a member of the BAC;
- (i) To develop and implement policy on engaging an external auditor to supply non-audit services, to report to the Board, identifying and making recommendations on any matters where action or improvement is needed and to monitor the extent of non-audit work to be performed by the External Auditors. The BAC should also report to the Board, identify and make recommendations on any matters where action or improvement is needed.

**Internal Audit Function:**

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- (a) To review the system of internal controls including financial, operational, compliance, information technology controls and risk management processes;
- (b) To do the following, in relation to the internal audit function:
- review and approve the internal audit plan including its adequacy of scope, functions, independence, competency, audit methodology and resources of the internal audit function to ensure its robustness and effectiveness, and that it has the necessary authority to carry out its work;
  - review and monitor the internal audit programme, processes, effectiveness and results of the internal audit process, assessments, investigation undertaken and discuss major findings and management's response, and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of the head of Internal Audit and members of the internal audit function on the effectiveness of the internal audit;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (c) To determine the remit of the internal audit function including its objectives, strategies, roles and responsibilities, scope and remuneration, ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to ensure co-ordination between the internal and external auditors.

**Governance**

- (a) Develop and review a set of corporate governance principles and guidelines and keep abreast of developments with regard to Malaysian Code on Corporate Governance and any other applicable regulations or rules, to enable the BAC to make recommendations to the Board in light of such developments as may be appropriate.
- (b) Drive, review and endorse the code of conduct and ethics programme across the Group applicable to employees and directors, covering managing conflict of interest, preventing the abuse of power, corruption, insider dealing and anti-money laundering, whistle blowing programme and monitor its compliance and implementation;
- (c) Assess the effectiveness of the code of conduct and ethics programme; and
- (d) Review and monitor the Group's policies and practices on compliance with legal and regulatory requirements and in particular, the applicable corporate governance requirements from time to time and the disclosure in the Corporate Governance Overview Statement and the Corporate Governance Report.

**Other Matters**

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- (a) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (b) To report its findings on the financial and management performance, and other material matters (including those covered in these Terms of Reference) to the Board;
- (c) To discuss the risk management and internal control systems with management to ensure that Management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (d) To consider the major findings of internal investigations on, among other things, the risk management and internal control matters as delegated by the Board of Directors or on its own initiative and management's response;
- (e) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (f) To verify the allocation of employees' share grant plan ("ESGP") in compliance with the criteria as stipulated in the by-laws of the ESGP of the Company, if any;
- (g) To review and provide its views on all financial and accounting policies (including hedging policies and instruments to be implemented by the Company);
- (h) To review and approve the procedures for the entry into of any hedging transactions (which include foreign exchange and interest rate hedging transactions) and to monitor the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into hedging transactions;
- (i) To review arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (j) To act as the key representative body for overseeing the Group's relationship with the Company's External Auditor;
- (k) To oversee the implementation of the whistleblowing policy and procedures of the Group;
- (l) To consider other topics as defined by the Board;
- (m) To consider and examine such other matters as the BAC considers appropriate;
- (n) To review the Annual Statement on Risk Management and Internal Control, Audit Committee Report, Corporate Governance Overview Statement and Corporate Governance Report to be published in the Annual Report as well as review the Company's compliance with the applicable corporate governance code and regulations from time to time; and
- (o) To review financial due diligence conducted by consultants for any M&A activities.

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