
**AUDIT COMMITTEE
TERMS OF REFERENCE**

1. Objective

The Audit Committee (“AC”) serves to implement and support the oversight functions of the Board. It provides means for review of the Company’s and Group’s processes for producing & compliances of financial reporting with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) & the provision of the Companies Act, 2016 in Malaysia, internal controls, corporate governance & compliances, code of conducts, the evaluation of suitability, performance & independence of the Company’s External Auditors, Statement on Risk Management and Internal Controls, risk management activities, to ensure Corporate Assurance (“CA”) is accountable to AC, assess the resources of Corporate Assurance Unit (“CAU”) and maintain an open line of communication and consultation between the Board, the Internal Auditors, the External Auditors and Management.

2.1 Membership

The Audit Committee shall be appointed by the Board of Directors from amongst its members, which fulfils the following requirements after taking into consideration the recommendation of the Nomination and Remuneration Committee (“NRC”):

- a. The Committee must be composed of no fewer than three (3) members;
- b. The majority of the members of the Committee must be Independent Non-Executive Directors as prescribed in the MMLR of BMSB;
- c. All members of the Committee should be Non-Executive Directors;
- d. All members of the Committee should be financially literate and at least one person of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) must have at least 3 years’ working experience and:
 - (aa) have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (bb) is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - (cc) a degree / masters / doctorate in accounting or finance; or
 - (dd) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
 - (ee) at least 7 years’ experience being a chief financial officer of a corporation or have the function of being primarily responsible for the management of the financial affairs of a corporation.
 - (iii) fulfils such other requirements as prescribed or approved by the BMSB.
- e. No alternate Directors shall be appointed as a member of the Committee;
- f. The members of the Committee must elect a Chairman among themselves who is an Independent Director;
- g. If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of members is reduced to being below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members; and

- h. The term of office and performance of the Committee and each of its members shall be reviewed by the NRC annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference. However, the appointment terminates when a member ceases to be a Director.

2.2 Functions and Duties

2.2.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the CAU in the Company and its subsidiaries ("the Group").

2.2.2 To review the following and report to the Board:

a. With the External Auditors:

- (i) the audit plan and audit report and the extent of assistance rendered by employees of the auditee;
- (ii) their evaluation of the system of internal controls;
- (iii) disclosure of processes, procedures and tools in place during the year with regards to external auditors' appointments, assessment on suitability, assessment on independence and tenure;
- (iv) the audit fee and on matters concerning their suitability for nomination, appointment and reappointment and the underlying reasons for resignation or dismissal as Auditors;
- (v) the management letter and management's responses;
- (vi) issues and reservations arising from audits;
- (vii) oversight of external auditors in terms of topics deliberated or significant issues highlighted;
- (viii) disclosures on policies on external auditors and provision of non-audit services by them;
- (ix) board statement on suitability independence of external auditors.

b. With the CAU:

- (i) oversight of CAU in terms of significant topics and issues discussed, review of adequacy and suitability of internal audit team and resources, relevance of the scope, functions,
- (ii) the audit plan of work programme and results of internal audit processes including actions taken on recommendations;
- (iii) the extent of co-operation and assistance rendered by employees of the auditee;
- (iv) the appraisal of the performance of the internal audit unit including that of the senior staff and any matters concerning their appointment and termination;
- (v) the cognizance of resignation of internal audit staff and provision for the opportunity for resigning staff to submit his / her reasons for resigning.
- (vi) compliance with internal auditing standards and the Group's policies relating to conformity with laws and regulatory requirements.
- (vii) adequacy of training of the CAU's staff.
- (viii) coordination and cooperation between the internal and external auditors.

- c. The quarterly results and year-end financial statement of accounts before the approval by the Board, focusing particularly on:
 - (i) changes and implementation of major accounting policies and practices;
 - (ii) significant and unusual accounting issues;
 - (iii) going concern assumptions; and
 - (iv) whether auditor's report contains qualification which must be properly discussed and acted upon to remove cause of auditor's concerns.
 - d. The major findings of investigations and management responses.
 - e. The propriety of any related party transactions and conflict of interest situations that may arise within the Company or the Group including any transactions, procedures or courses of conduct that raise questions of management integrity.
- 2.2.3 To report any breach of the MMLR which have not been satisfactorily resolved to BMSB.
- 2.2.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
- a. The composition of the Committee including the name, designation and directorship of the members;
 - b. The number of meetings held and details of attendance of each member;
 - c. A summary of the activities of the Committee in the discharge of its functions and duties;
 - d. A summary of the activities of the CAU and the statement relating to the CAU of the Group; and
 - e. A summary of any conflict of interest or potential conflict of interest situation.
- 2.2.5 To review the disclosure statement on the state of the system of risk management and internal controls of the Company and of the Group.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

2.3 Rights and Authority

In carrying out its duties and responsibilities, the Committee will have the following rights:

- a. Have explicit authority to investigate any matter within its terms of reference;
- b. Have adequate resources required to perform its duties;
- c. Have full and unrestricted access to information, records, properties and personnel of the Company and of the Group;
- d. Have direct communication channels with the internal and external auditors as well as with key executives. In this respect, the Chairman of the Committee should engage on a continuous basis with senior management, such as the Chairman of the Board, the Executive Director, the Chief Corporate Officer, the Chief Technology and Sales Officer, the Chief Financial Officer, the Head of CAU and the external auditors in order to be kept informed on matters affecting the Company and the Group; and
- e. Be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Committee's meetings when considered necessary.

2.4 Meetings

- a. The Committee shall hold a minimum of four (4) meetings in a financial year;
- b. The meetings shall be chaired by the Chairman or in his absence, another member who is an Independent Director nominated by the Committee. The quorum for the meeting shall consist of at least two (2) members, the majority of whom shall be Independent Directors. The Chairman also has the discretion to call for additional meetings as warranted;
- c. The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting;
- d. The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee;
- e. The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee without the presence of the Executive Directors at least once a year;
- f. The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Group, be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of other directors and employees of the group, whenever deemed necessary.
- g. The Internal Auditors shall be in attendance at all meetings to present and discuss their audit reports and other related matters and the recommendations relating thereto and to follow-up on relevant decisions made;
- h. Upon the request of any member of the Committee, non-member directors, the internal or the external auditors, the Chairman shall convene a meeting to consider the matters brought to its attention;
- i. The Committee may invite any non-member director or employee of the Company and of the Group, who the committee thinks fit and proper to attend its meeting to assist in its deliberations and resolution of matters raised;
- j. In addition to the availability of the detailed minutes of the meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

2.5 Corporate Assurance Unit ("CAU")

- a. The Group has an in-house CAU which is independent of the activities it audits and reports directly to the Committee. The CAU assists the Committee in the discharge of its duties and responsibilities. The Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal controls.
- b. The Head of CAU shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and establishment of the CAU.
- c. In respect of routine administrative matters, the Head of the CAU shall report to the Managing Director.
- d. The CAU shall need to regularly review and / or appraise the effectiveness of the risk management, internal control and governance processes within the Company and the Group.