



# **KUB MALAYSIA BERHAD**

**(Company No. 6022-D)**

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**TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE**

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Revised as at 29 March 2018

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## **1. OBJECTIVES OF THE COMMITTEE**

The primary function of the Committee is to assist the Board on Company's governance structure to implement and support the following oversight objectives for the KUB Group of Companies:

- Assess the Group's processes relating to financial reporting, internal controls, risk management and guidelines, its risks and control environment;
- Oversee financial reporting transparently and independently;
- Evaluate the internal and external audit processes including the review of the adequacy of scope, functions and reporting of internal and external auditors;
- Maintain, through regular scheduled meetings, a direct line of communication between the Board, external auditors, Management and internal auditors; and
- Avail to the external and internal auditors a private and confidential audience at least twice (2) a year, through the Chairman of the Committee.

## **2. COMPOSITION OF THE COMMITTEE**

The composition of the Committee shall take into consideration of the following:

- The Board shall appoint the Members, who must be Non-Executive Directors, with a majority of them being Independent Directors, based on recommendation from the Board Nomination and Remuneration Committee. No alternate director is appointed as a member of the Committee. The Committee shall, at all times, comply with the relevant provisions of the Listing Requirements;
- A member who is formerly a key audit partner that responsible for the engagement of quality control review or make key decisions of judgments on significant matters with respect to the audit of financial statements shall observe at least two years of cooling-off period before being appointed as a member of BAC;
- The composition of the Committee must not be less than three (3) Members;
- The Members shall elect a Chairman from amongst themselves who is an Independent Director and not the Chairman of the Board;
- All Members of the Audit Committee should be financially literate complemented with appropriate level of knowledge, skills, experience and commitment. At least one (1) Member of the BAC must comply with Paragraph 15.09(1)(c) (i) - (iii) of the Listing Requirements where he/ she:
  - (i) Must be a member of the Malaysian Institute of Accountants (MIA); or
  - (ii) If he/ she is not a member of MIA, he/ she must have at least three (3) years' working experience; and
    - He/ she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - He/ she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(iii) Fulfils such other requirements as prescribed or approved by the Exchange i.e. the following qualifications are also acceptable:

- a) either one of the following qualifications and at least 3 years' post-qualification experience in accounting or finance:
    - i) a degree/ masters/ doctorate in accounting or finance or
    - ii) a member of any professional accountancy organization which has been admitted as a full member of the International Federation of Accountants.
  - b) at least 7 years' experience being a chief financial officer of a cooperation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
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- Where the Members for any reason are reduced to less than three (3) and/ or not fulfilling the above composition and/ or retirement/ resignation of the Chairman, the Board shall within three (3) months of the event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members and/ or fulfil the above composition and/ or must elect a Chairman among themselves who is an independent director in case of retirement/ resignation of the Chairman, in accordance with the general requirements of the Listing Requirements;
  - The period of appointment shall be concurrent with their tenure on the Board unless otherwise decided by the Board and in accordance with the Listing Requirements;
  - The Board should ensure effective orientation is given to the new Committee Members;
  - Members should seek continuing professional education to keep abreast of developments in the area of financial reporting, regulatory compliance, technology, internal controls, business risk and the implication of significant changes that may affect the Company.
  - All Members shall hold office only for so long as they serve as Directors of the Company. The change of the Members of the Committee shall be decided by the Board from time to time.

### **3. SECRETARY OF THE COMMITTEE**

The Company Secretary and/or his or her representative shall be the Secretary of the Committee.

### **4. AUTHORITY OF THE COMMITTEE**

The Committee shall have:

- Authority to investigate into any activities within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate on any request made by the BAC;
- The authority to obtain outside legal or other independent professional advice and to secure the attendance of outside parties with relevant experience and expertise, if it considers this necessary;
- Direct communication channels with both external and internal auditors;

- The authority to convene meetings with external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary;
- Full and unrestricted access to the Company's records, properties and personnel; and
- The resources which are required to perform its duties.

## **5. RESPONSIBILITIES AND DUTIES OF THE COMMITTEE**

In fulfilling its objectives, the Committee shall undertake the following responsibilities and duties:

### **i. Board**

- Responsible to the Board of Directors;
- Responsible, to a limited extent, in establishing an effective control environment but not for the day-to-day running of business and making operating decision;
- Make the necessary recommendations as specified under the objectives of the Committee;
- Chairman of the BAC is to provide written reports/ updates on deliberations and decisions made at the Committee's level to the Board on regular basis with focus given to significant issues and resolutions by the Committee;
- To submit to the Board a summary of material concerns and weaknesses in the control environment noted during the year and the corresponding measures taken to address the issues;
- To obtain satisfactory response from the Management on reports issued by the internal and external auditors;
- To highlight significant findings identified and the impact of the audit findings on the operations;
- Where review of audit report of subsidiaries also falls under the jurisdiction of the Committee, all the above mentioned function shall also be performed by the Committee in co-ordination with the Board of Directors of the subsidiaries;
- To review the quarterly results and year - end financial statements, before the assessment and approval by the Board, focusing particularly on:
  - 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 addressed; and
  - Compliance with accounting standards and other legal requirements
- To review arrangements established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the KUB Malaysia Berhad Group's operations; and
- To consider other areas as defined by the Board.
- To promptly report to the Bursa Malaysia on matters reported to the Board that has not been satisfactorily resolved, resulting in a breach of main listing requirements.

**ii Internal Audit**

- Establish an independent internal audit function that directly report to the BAC and free from any relationship or conflict of interest that can impair the objective and independence;
- Review the adequacy of the scope, functions, competency, budget and resources of the Internal Audit and ensure that it has the necessary capacity and authority to carry out its work effectively;
- Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary, ensure that appropriate actions are taken accordingly;
- Ensure continuous education on internal auditor to continuously keep abreast with development in the profession, industry and regulation to provide strategic and meaningful opinion for improvement;
- Review any appraisal or assessment of the performance and reasonableness of compensation of the internal auditors;
- Approve any appointment or termination of the Head and/ or senior internal auditors;
- Take cognisance of resignation of internal audit staff members and provide the resigning member an opportunity to submit his/ her reasons for resigning;
- Review the internal audit reports, which highlight the operational risks, recommendations and management's responses; and
- Discuss with the Management on actions taken to improve the system of internal controls, based on operational risks identified in the internal audit reports.

**iii. External Audit**

- Annually assess the suitability objectively, and independence of the external auditor at minimum based on competency, capacity, nature and extent of non-audit service rendered, appointees of level of fees.
- Review with the external auditors their audit plan, scope of their audits, their evaluation of the system of internal controls and their audit report; and ensure co-ordination where more than one (1) audit firm is involved;
- Evaluate with the external auditors the assistance given by the employees to the external auditors;
- Evaluate the performance of the external auditors and make recommendations to the Board of Directors on their appointment and remuneration;
- Review any letter of resignation from the external auditors;
- Where there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment, the Committee is to recommend the nomination and remuneration of a person or persons as external auditors; and
- The Chairman of the BAC should engage on a continuous basis with the Chairman of the Board and the Senior Management such as the President/ Group Managing Director, the Vice President of Group Finance, the Vice President of Group Operations & Strategic Development, the internal auditors and external auditors in order to keep informed of matters affecting the Group.

**iv. Related Party Transactions**

To monitor and review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises the question of the Management's integrity.

**v. Others**

- Consider and evaluate other matters as judged appropriate by the Committee or as authorised by the Board and as required by the general requirements set up by local authorities or any other government authorities;
- Act upon the Board of Directors' request to investigate and report on any issues or concerns with regard to the Management of the Company;
- Upon the request of the external auditors, the Chairman of the BAC shall convene a meeting of the BAC to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders; and
- To verify, on an annual basis, the allocation of options under a share scheme for employees to ensure compliance with the allocation criteria determined by the Company's Share Scheme Committee and in accordance with the by-laws of the relevant share scheme.

**6. COMMITTEE MEETINGS**

The Committee Meetings shall take into consideration the following:

- The Committee shall convene meetings as and when required, provided that the Committee shall meet at least four (4) times a year;
- The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving due notice. It shall not be necessary to give notice of a Committee meeting to any Members absent from Malaysia;
- No business shall be transacted at any meeting of the Committee unless a quorum is present. A quorum must be in accordance with Paragraph 15.18 of the Listing Requirements, where the majority of the Members present must be Independent Directors;
- Any decision arising at the meeting shall be decided by a majority of votes, each Member having one vote and a determination by a majority of Member shall for all purposes be deemed a determination of the Members. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote;
- The Chairman of the Committee shall chair the Committee meetings and in his absence, the Members present shall elect one (1) of their Members to be Chairman of the meeting;
- The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The Chairman of the Committee is accountable for the agenda of Committee Meetings. The agenda shall be sent to all Members of the Committee and any other persons who may be required to attend the meeting at least a week in advance of each meeting to allow the committee members to give full consideration to the issues and, where necessary, obtain supplementary facts before the meeting;

- The Secretary shall prepare the minutes of the meeting and distribute it to each Member. The minutes of the Committee shall be confirmed and signed by the Chairman of the Committee or the presiding Chairman at the next succeeding meeting;
- The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custodian of the Company Secretary. The minutes book shall be opened for inspection of the Board, external auditors, internal auditors, Management and other persons deemed appropriate by the Company Secretary;
- Subject to the requirement to conduct the required meetings, in appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting;
- Appropriate officers of the Company or professional advisors may be invited to attend the meetings where the Committee considers their presence necessary;
- All recommendations and findings of the Committee shall be submitted to the Board for approval; and
- The President/ Group Managing Director, the Vice President of Group Finance, the Vice President of Group Operations & Strategic Development, Head of Group Risk & Audit, representatives of internal and external auditors, other Board Members and Vice President/ CEO of Companies may attend meetings upon invitation of the BAC. However, the Committee should meet with the external auditors without the Executive Board Members and employees present at least two (2) times a year.

## **7. CHAIRMAN OF THE COMMITTEE**

The following are the main duties and responsibilities of the Chairman of the Committee:

- Steer the Committee to achieve its objectives;
- Consult the Company Secretary for guidance on matters related to the responsibilities of the Committee under the rules and regulations to which they are subject to and how those responsibilities should be discharged;
- Provide a reasonable time for discussion at the Committee Meetings. Organise and present the agenda for Committee Meetings based on input from Members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy debate on the issues at hand and bring to the Committee a healthy level of scepticism to ensure overall effectiveness and independence of the committee;
- Provide leadership to the Committee and ensure proper flow of information to the Committee, review adequacy and timing of documentation;
- Ensure that all significant matters related to the company's audit and its financial statements and addresses these matters;
- Ensure that consensus is reached on every Committee resolution and where considered necessary, call for a vote and the decision will be by simple majority;
- Ensure that all Members are encouraged to play their role in activities. This includes making certain that all Members receive timely, relevant information tailored to their needs, properly briefed on the arising issues, and appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- Audit Committee's concerns on matters that may have an effect on the financial or audit of the company are communicated to the external auditors;

- Manage the processes and working of the Committee and ensure that the Committee discharges its responsibilities; and
- Develop the coordination and maintain active on-going dialogue with management and both internal and external auditors.

## **8. REVIEW OF THE AUDIT COMMITTEE**

The Nomination and Remuneration Committee must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and members had carried out their duties in accordance with their terms of reference, and subsequently recommending to the Board of Directors for approval.

A formal evaluation of the performance of all the Committee Members should be undertaken by the Board Nomination and Remuneration Committee. Members' skills and experience should be annually assessed and training given where gaps are identified.

## **9. COMMITTEE MEMBERS**

Each Committee Member will be expected to:

- Demonstrate appropriate level of vigilance and skepticism to detect any financial anomalies on irregularity in the financial statement, ensure consistency of financial statements with operations and other information known and provide true and fair view of Company financial position.
- Provide independent opinions to the fact-finding, analysis and decision making process of the Committee, based on their experience and knowledge; and
- Consider viewpoints from the Committee Members; make decision and recommendations for the best interest of the Board collectively.

## **10. DISCLOSURE**

The Committee shall assist the Board in making certain disclosures concerning the activities of the Committee such as in the Corporate Governance Statement, Statement on Risk Management and Internal Control and the Board Audit Committee Report to be issued in the Annual Report.

## **11. REVISION OF THE TERMS OF REFERENCE**

- Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval;
- Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended; and
- The Terms of Reference should at least be updated when there are changes to the Code, Listing Requirements or other regulatory requirements.