
TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

1.0 COMPOSITION OF THE COMMITTEE

The Board of Directors shall appoint the Committee from amongst its members who fulfil the following requirements: -

1.1 At least three (3) non-executive directors, a majority of whom are independent directors and chaired by independent director. AC must not have any executive director in its membership;

1.2 All members should have the skills, knowledge and experience relevant to the responsibilities of the board of directors and financially literate. At least one member of the audit committee:-

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and –
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountant Acts 1967; or
 - (bb) he must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

1.3 No alternate directors shall be appointed as a member of the Committee.

1.4 The members of the Committee must elect a Chairman from among themselves who is an Independent Director.

1.5 All members of the Committee hold office only so long as they are Directors of the Company. In the event the vacancy in the Committee, arising from retirement or resignation or non-compliance with paragraphs 1.1, 1.2 and 1.4 above, with the result that the number

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

of members is reduced below 3, the Board of Directors must fill the vacancy within 3 months.

- 1.6 The Board may from time to time appoint to the Committee additional members who are independent Non-Executive Directors as it deemed fit and necessary.**
- 1.7 The tenure of Independent directors should not exceed nine (9) years except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans.**
- 1.8 The Chairman of the Audit Committee is not the Chairman of the board.**

2.0 OBJECTIVES

The primary objectives of the Committee are to: -

- 2.1 To fulfil and comply with the relevant regulatory and statutory requirements on Audit Committee. To fulfil the independent oversight function in relation to the adequacy and integrity of internal controls and financial reporting, risk management and compliance with internal policies, procedures and external applicable rules and regulations.;**
- 2.2 Reinforce the independence and objectivity of the Internal Audit Division;
- 2.3 Provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and
- 2.4 Undertake additional duties as may be deemed appropriate and necessary to assist the Board of Directors.

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

3.0 RIGHTS

The Committee shall: -

- 3.1 Have the authority to investigate any matter within its terms of reference;
- 3.2 Have the resources, which are required to perform its duties;
- 3.3 Have full and unrestricted access to any information pertaining to the Company and the Group;
- 3.4 Have direct communication channels with external auditors, internal auditors and risk managers;
- 3.5 Be able to obtain independent professional or other advice;
- 3.6 Have the authority to convene meetings with external auditors, internal auditors or both, in the absence of other directors and employees, at least twice a year; and
- 3.7 To review and report to the board of directors on the internal audit plan and the results of the internal audit assessments.**

4.0 DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the Audit Committee: -

4.1 External Audit

- a. To review with external auditors, their audit plan, scope and nature of the audit.
- b. To review with external auditors, their audit report and audit findings and Management's response including the status of previous audit recommendations.

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

- c. To recommend the nomination of a person or persons as external auditors.
- d. To consider the appointment of external auditors, their audit fee and any question of their resignation or dismissal and to make recommendations to the Board.
- e. Assess the qualification, expertise, resources, effectiveness, suitability and independence of the external auditors.
- f. Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
- g. Review the assistance given by the Group's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- h. To approve the provision of non-audit services by the external auditors, evaluating whether such non-audit services would impair their independence.
- i. To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the auditors.
- j. To meet with the external auditors at least once a year without the presence of the management to discuss any key concerns and obtain feedbacks.
- k. To ensure that the financial statements are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions for loan impairments and values ascribed to financial instruments.
- l. Maintaining regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the AC on significant matters.
- m. Ensuring that senior management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

4.2 Financial Reporting

To review the Group's quarterly financial statements and reports, the Group's and Company's audited annual financial statements before submission to the Board of Directors for approval, focusing 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 accounting standards and other legal requirements; and
- (iv) Review and provide advice whether the financial statements taken as a whole provide a true and fair view of the company's financial position and performance.**

4.3 Related party transaction

- (i) Review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedures or course of conduct that raises questions on Management's integrity and **update the Board on all related party transactions.****
- (ii) Monitor compliance with the board's conflicts of interest policy.

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

4.4 Internal Audit

To establish an internal audit function and identify a Head of Internal Audit who reports directly to the Audit Committee. The Chief Internal Auditor will be responsible for the regular review and /or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company and the Group.

To do the following, in relation to the internal audit functions: -

- a) Review the adequacy of the scope, procedures, frequency, functions, resources and competency of the Internal Audit Division and that it has the necessary authority to carry out its duties.
- b) Reviewing key audit reports and ensuring the senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- c) To perform the appointment, transfer or removal of the Chief Internal Auditor. The appraisal of the Head of Internal Audit would be evaluated and moderated by the Chairman of the Audit Committee.
- d) To evaluate and review or assessment the performance and decide on remuneration package of internal auditors.
- e) Approve any appointment or termination of senior staff members of the internal audit function;
- f) Take cognisance of resignations of senior internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- g) Ensure that the internal audit function is adequately resourced and staffed with competent and well trained officers.
- h) Ensure the independence of the internal audit function.

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

- i) On a regular basis, meet separately with the Chief Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.
- j) To ensure the internal audit function is well placed to undertake review or investigation on behalf of the AC, thus internal auditors should have an appropriate standing within the institution and be placed under the direct authority and supervision of the AC.
- k) Review the effectiveness of the infrastructure for ensuring Shariah compliance.
- l) Exercise direct authority and supervision over the functions of the Internal Audit Division and review its effectiveness and compliance with “BNM Guidelines on Internal Audit Function” requirement.
- m) Noting significant disagreements between the Chief internal Auditor and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.
- n) Establishing a mechanism to assess the performance and effectiveness of the internal audit function.

4.5 Others

- a) To undertake any other activities as authorised by the Board of Directors.
- b) To review operational policies and processes of the Group and to formulate new ones where appropriate with a view to improve efficiency, cost effectiveness and control over the resources of the Group.
- c) Review the accuracy and adequacy of the chairman’s statement in the directors’ report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- d) Review third-party opinions on the design and effectiveness of the financial institution’s internal control framework.

TERMS OF REFERENCE OF AUDIT COMMITTEE

Last reviewed on 26 January 2018

4.6 Training

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and standards, practices and rules.

5.0 MEETINGS

- 5.1 The Committee meets every quarter or more frequently as circumstances dictate.
- 5.2 In order to form a quorum in respect of a meeting of an audit committee, the majority of members present must be independent directors.
- 5.3 As part of its duty to foster communication, the Chief Executive Officer, the Management Team and the Chief Internal Auditor are invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities. The presence of the external auditors will be requested when required.
- 5.4 The Chairman of the Committee shall report and update the Board of Directors on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board of Directors.
- 5.5 The Chairman of the Committee should engage on continuous basis with senior management, such as Chairman, the Chief Executive Officer, the Chief Financial Controller, the Chief Internal Auditor and the external auditors in order to be kept informed of matters affecting the Company and the Group.
- 5.6 The Chief Internal Auditor shall be the Secretary to the Committee.