

**INSTITUTE OF CORPORATE DIRECTORS MALAYSIA**

Registration No. 201701025110 (1239276-V)

(Incorporated in Malaysia)

**Terms of Reference of Audit Committee**

**1. Status**

- 1.1 The Audit Committee (“AC”) is a committee formed by the Board of Directors (“Board”) of Institute of Corporate Directors Malaysia (“Company”).

**2. Composition of Audit Committee**

- 2.1 The AC shall be appointed by the Board from amongst themselves and shall comprise at least two (2) directors, all of whom shall be Non-Executive directors.
- 2.2 The Quorum for the AC meeting shall be two (2) members, both of whom must be non-executive directors
- 2.3 All members of the AC should be financially literate and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s financial reporting process. They must also possess sound judgement, objectivity, integrity and sufficient management experience and knowledge of the industry. All members of the AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.4 At least one (1) member of the Committee shall be an accountant with appropriate professional qualifications or related accounting and financial management expertise.
- 2.5 No Alternate Director shall be appointed as a member of the AC. A former key audit partner of the Company shall not be eligible to be considered or appointed as a member of the AC until the expiry of a cooling-off period of at least two (2) years from the date he/she ceases to be the key audit partner.
- 2.6 The members of the Committee must elect a chairman of the Committee (“Chairman”) among themselves. The Chairman of the AC shall not be the Chairman of the Board. In the absence of the Chairman, the members present shall elect a chairman from amongst them to chair the meeting.
- 2.7 The appointment of a Committee member shall terminate when the member ceases to be a Director.
- 2.8 If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2.1 above, the Board shall, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of two (2) members, provided always that the requirement under subparagraph 2.3 must be complied with.

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- 2.9 All members of the AC, including the Chairman, will hold office only so long as they remain as Non-Executive Directors of the Company.
- 2.10 Any member of the AC may relinquish his/her membership in the AC with prior written notice to the Company Secretary after consultation with the Board.

**3. Primary Purpose**

The AC is responsible for:-

- (a) assisting the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that the Company has in place a sound and robust internal control framework and risk management framework;
- (b) ensure that such frameworks have been effectively implemented to enhance the Company's ability to achieve its strategic objectives;
- (c) reviewing financial statements and financial reporting process as well as management of financial and operational risks;
- (d) reviewing reports from external auditors;
- (e) overseeing the implementation of the Whistleblower Policy and Procedures for the Company;
- (f) reviewing the AC's terms of reference as conditions dictate from time to time; and
- (g) any other activities, as authorised by the Board.

**4. Responsibilities**

The responsibilities of the AC shall be to:

**Financial Reporting**

- 4.1 Review the Company's quarterly results and year-end financial statements with Management and External Auditors prior to submission to the Board, focusing particularly on:-
- (a) changes in or implementation of major accounting policy changes;
  - (b) significant matters highlighted including financial reporting issues, significant judgement made by Management, significant and unusual events or transactions and how these matters are addressed;

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- (c) significant adjustments arising from the audit;
- (d) the going concern assumption; and
- (e) compliance with the applicable accounting standards and other legal requirements.

4.2 Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance.

**External Auditors**

4.3 Consider and recommend to the Board for approval the appointment or reappointment of external auditors and their fees (audit and non-audit), upon assessment of the independence and capabilities of the external auditors as well as the effectiveness of the external audit process.

4.4 Review the following and report the same to the Board:-

- (a) any letter of resignation from the external auditors or suggestions for their dismissal; and
- (b) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.

4.5 Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the AC which is supported by the assessment conducted by relevant Management members. The policies and procedures must include among others consideration on:-

- (a) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
- (b) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- (c) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout on the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

4.6 Review the following with the external auditors and report the same to the Board:-

- (a) audit plan;
- (b) audit report;

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- (c) the assistance given by the employees to the external auditor;
- (d) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditor; and
- (e) external auditors' management letter and management's response thereto.

**Whistleblowing**

- 4.7 Exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy and Procedures for the Company.

**Risk**

- 4.8 Ensure that an appropriate risk reporting framework is established to facilitate reporting of risks to Management and the Board.
- 4.9 Evaluate the risks as reported under the framework prior to reporting to the Board.

**Others**

- 4.10 Review and report to the Board any Related Party Transaction and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.11 Carry out any other function that may be mutually agreed upon by the AC and the Board.

**5. Authority**

The AC shall have the authority to:-

- 5.1 Convene meetings with the external auditors, excluding the attendance of other directors and employees of the Company, whenever deemed necessary and such meetings with the external auditors shall be held at least twice a year;
- 5.2 Obtain, at the expense of the Company, external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;
- 5.3 Investigate any matter within its terms of reference, have the resources which it needs to do so and have full and unrestricted access to information pertaining to the Company and the Management whereby all employees of the Company are required to comply with requests made by the AC;
- 5.4 Have direct communication channels with the external auditors, and also to engage with the Management on a continuous basis;

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- 5.5 Appoint, at the expense of the Company, an independent party to conduct or to assist in conducting any investigation, upon the terms of appointment to be approved by the AC;
- 5.6 Authorise the AC Chairman for the time being to carry out the AC's responsibilities as required under the Whistleblower Policy and Procedures for the Company; and
- 5.7 Have access to the advice and services of the Company Secretary.

**6. Notice and Meetings**

- 6.1 The AC shall meet at least once a quarter, 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.
- 6.2 Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or members.
- 6.3 The Company Secretary, in consultation with the Chairman of the AC, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated at least five (5) working days prior to each Committee meeting unless the Audit Committee waives such requirement.
- 6.4 If any member is unable to be physically present, he/she may choose to participate via video or tele-conferencing 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.
- 6.5 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board of Directors.
- 6.6 Each member of the AC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the AC when there are three (3) members and more. However, if the number of the members of the AC is two (2), the votes shall be unanimous.
- 6.7 In the event of an equality of votes, the Chairman of the AC shall not be entitled to a second or casting vote. Such matter would be escalated to the Board for decision. In addition, any dissenting opinion of the members of the AC should be reported to the Board.
- 6.8 A member of the AC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her.
- 6.9 The AC has the full discretion to invite such other persons or officers of the Company to its meeting, as it deems necessary.

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**7. Communication to the Board**

- 7.1 The AC shall cause the minutes of each AC meeting to be tabled to the Board for notation.
- 7.2 The AC Chairman shall report on each meeting to the Board regarding all relevant matters and appropriate recommendations, in a written report for noting or approval by the Board.
- 7.3 The AC may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.

**8. Circular Resolution**

- 8.1 Any resolution in writing signed by All members of the AC for the time being shall be as valid and effectual as if it had been passed at a meeting of the AC duly convened and held.
- 8.2 All such resolutions shall be described as "AC Members' Circular 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.
- 8.3 Any such resolution may be contained in a single document or may consist of several documents in the like form, each signed by one (1) or more members.
- 8.4 The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, email or other forms of electronic communications.

**9. Secretary**

- 9.1 The Company Secretaries of the Company shall be the Secretary of the AC.
- 9.2 The Company Secretary shall be responsible for preparation of the agenda in consultation with the Chairman, and distribution to all the members the papers to be deliberated at the meeting.

*(This Terms of Reference for the Audit Committee was approved and adopted by the Board on 20 March 2020)*