



(Company No. 217120- W)

(Incorporated in Malaysia under the Companies Act, 2016)

# **AUDIT COMMITTEE TERMS OF REFERENCE**

(Reviewed & Approved by the Board in October 2019)

In line with Main Market Listing Requirements (“MMLR”) under Paragraph 15.09 and Malaysia Code on Corporate Governance (“MCCG”) Intended Outcome 8.0, the Board shall establish an effective and independent Audit Committee to enable the board to objectively review the Audit Committee’s findings and recommendations where the company’s financial statement can be a reliable source of information.

### **Role of the Audit Committee**

The Audit Committee shall assist and support the Board primarily in the areas of financial reporting in liaison with the external auditors and the internal controls in liaison with the Internal Auditors.

### **Composition**

1. In line with Paragraph 15.09(1)(a) and (b) of Bursa Securities Listing Requirements, the Board shall appoint the audit committee members from amongst its directors to fulfil the following requirements:

*a. The audit committee shall compose no fewer than three (3) members; and*

*b. The audit committee members shall comprise solely of Independent Directors.*

2. In respect of the Independent Non-Executive Director, the Board shall adopt the definition of "independent directors" under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

3. All members of the audit committee shall be financially literate, i.e. the ability to read, analyze and interpret financial statements and at least one (1) member of the Audit Committee shall be: -

*a. a member of the Malaysian Institute of Accountants ("MIA"); or*

*b. if he/she is not a member of the MIA, he/she must have at least three (3) years of working experience; and*

*c. he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or*

*d. he/she must be a member of the Association of Accountants specified in Part II of the First Schedule of the Accountants Act.1967; or*

*e. he/she must fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.*

4. If a member of the Audit Committee resigns, dies or for any reason ceases to be a member and results in the number of members being reduce to below three (3), the Board shall within three (3) calendar months of the event, appoint a new member to fill the vacancy.

5. The term of office and performance of the Committee and each of its members shall be reviewed by the Board (through the Nomination Committee) at least once every year to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference.

## **Audit Committee Chairman**

In line with Paragraph 15.10 of Bursa Securities Listing Requirements, members of the audit committee shall elect a chairman among themselves who is an independent director.

Audit committee chairman shall be responsible for ensuring that the audit committee meetings run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the committee and the Audit Chairman shall be the key contact between the committee members and members of the board, as well as senior management and the auditors.

The Chairman must be recognized for his or her leadership and vision and also be acknowledged by other committee members and management as to be able to set and manage the audit committee's agenda.

### **Attributes of an effective audit committee chairman**

Chairman shall be: -

- a. an independent, proactive leader with confidence and integrity;*
- b. a highly respected and experienced board member, who possesses strong financial literacy skills and time available to develop and closely monitor the committee's agenda;*
- c. a person with excellent working knowledge of audit committee practices;*
- d. a good listener and communicator who can facilitate successfully;*
- e. a person who is able to champion open and frank discussion with discipline; and*
- f. a person who is tenacious and prepared to ask the tough questions.*

### **Responsibilities of Audit Committee Chairman**

The Chairman of the Audit Committee shall: -

- a. engages on a continuous basis, apart from the scheduled Audit Committee meeting, with Executive Directors and Senior Management, the head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company / Group in terms of financial performance, operational performance and legal compliance; and*
- b. has an oversight of external auditors*

### **Role of the audit committee chairman**

- a. Planning and conducting meetings;*
- b. Overseeing the reporting to the board;*
- c. Encouraging open discussion during meetings; and*
- d. Maintaining active ongoing dialogue with management and both the internal and external auditors.*

## **Meeting Quorum and Procedures**

1. Meetings shall be conducted at least four (4) times annually, and more frequently as circumstances dictate. The Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Board Chairman, the Chief Executive Officer / President, or the internal or external auditors.
2. In order to form a quorum for the meeting, the majority of members being present must be Independent Non- Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present. For the purpose of determining the presence of the requisite quorum, members attending the meeting, by way of telephone or video conferencing or whatever forms for an effective meeting shall be considered as being present.
3. The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, together with the Chairman, shall draw up the agenda, which shall be circulated together with the relevant supporting papers for each agenda, at least seven (7) days prior to each meeting to each member of the Committee.
4. Upon conclusion of each meeting, draft minutes on meeting shall be circulated to members of the Board within ten (10) days for comments on drafts by each member. After all comments is received, amended minutes will be circulated to all and final copy will be part of next meeting file ready for confirmation and signing.
5. The Committee Chairman may, as and when deemed necessary, invite other Board members, Senior Management members or third parties to attend the meetings to address matters that require the input of such persons.
6. The Chairman of the Committee shall brief the Board on the outcome of every Committee meetings following the conclusion of the Committee's meeting and he/she shall submit an annual report to the Board, summarizing the Committee's activities during the year and the related significant results and findings thereof.
7. The Committee shall meet with the external and internal auditors without the presence of any Executive Board members, Management or Employees of EFB at least twice annually. In addition, the external or internal auditors may request a private session with the Committee to discuss any matters of concerns.
8. The Chairman of the Committee shall regulate the manner of proceedings of its meetings, having regard to the normal conventions on such matter.

## **Authority of the Audit Committee**

In line with Paragraph 15.17(d) and (f) of Bursa Securities Listing Requirements, the Audit Committee shall: -

- a. be authorized by the Board to investigate any activity within its terms of reference. Committee shall also be authorized to seek any information it requires from any employee and employees shall be directed to co-operate with any request made by the Audit Committee;
- b. obtains at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities by informing the Chairman of the Committee / Board of Directors on the need to do so and proceed to obtain the necessary advice;

c. has full and unlimited access to any information pertaining to company and any of its subsidiaries. The Committee shall have direct communication channels with the internal and external auditors including Senior Management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary;

d. be provided with the resources that are required to perform their duties at all times; and

e. when they are of the view that a matter reported by them to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter(s) to relevant authorities.

### **Appointment of Auditors**

1. The Audit Committee shall ensure that a qualified and competent Internal Auditor is being appointed to carry out the duties of internal auditing and advising the board through the Committee Chairman, on risk management & internal control as to give assurance to the Board that there is an Effective System of Risk Management and Internal Controls in the Group.

2. The Audit Committee shall also ensure that a qualified Auditor is being appointed to carry out the duties of accounting and auditing matters especially on the group's legal compliance to proper accounting treatments and policies within the Company / Group including advising the Board and Directors on these matters.

3. The Audit Committee shall firstly source for suitable Auditors through recommendation by external sourcing services. Audit Committee together with the Nomination Committee shall carry out the process of interviewing which shall include a presentation by the Auditors on their experience, knowledge and qualification and only then make their recommendation to the Chairman of the Board.

4. Based on the information provided on the potential Auditor by the Audit Committee, Chairman of the Audit Committee shall make the recommendation to the Board and the Board as a whole shall decide on the appointment and fees of the Auditor.

5. Executive Directors shall be given the authority to signs the Letter of Engagement after appointment been approved by the Board. Company Secretary shall ensure the necessary shareholder's approval / announcement to authorities is being sought and made within the allowable time frame.

### **Responsibilities and duties**

1. Paragraph 15.12 of Bursa Securities Listing Requirements, the Board shall ensure the audit committee, amongst others, discharges the following responsibilities and duties by: -

*a. reviewing the Committee's terms of reference as conditions dictate for any relevant updates to be made in tandem with changes to regulatory requirements affecting the Audit Committee;*

*b. reviewing with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan;*

*c. ensuring the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to the Audit Committee directly, which reviews its performance on an annual basis; and*

*d. the Head of Internal Audit shall be responsible for the regular review of the effectiveness of the risk management, internal control, and governance processes within the Group.*

2. In conducting internal audit covering the companies in the Group, the audit Committee shall ensure the internal audit function is deployed in a professional standard which is recognized by the Institute of Internal Auditors in Malaysia by:

*a. taking cognizance of resignations of any internal audit member and provide the resigning internal audit member an opportunity to submit the member's reasons for resigning;*

*b. reviewing the adequacy of the internal audit scope and plan, including the internal audit program, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;*

*c. reviewing the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in internal controls, risk management or governance processes that are identified;*

*d. reviewing major audit observations and Management's response during the year with Management, external and internal auditors, including the status of previous audit recommendations;*

*e. reviewing the assistance given by the Group's officers to the 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;*

*f. reviewing the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees in line with EFB's policy of non-audit services provided by the external auditors, so as to ensure a proper balance between objectivity and value for money;*

*g. reviewing the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board. Paragraph 15.21 of Bursa Securities Listing Requirements on appointing an external auditor, the Company shall consider, among others:*

***i. the adequacy of the experience and resources of the accounting firm;***

***ii. the persons assigned to the audit;***

***iii. the accounting firm's audit engagements;***

***iv. the size and complexity of the group being audited; and***

***v. the number, experience of supervisory and professional staff assigned to the particular audit.***

*h. reviewing the adequacy and integrity, including effectiveness, of risk management and internal control systems, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;*

*i. directing and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;*

*j. reviewing the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on: -*

***i) changes in, or implementation of, major accounting policy changes;***

***ii) use of the going concern assumption;***

***iii) significant or unusual events; and***

***iv) compliance with The Malaysian Financial Reporting Standards and other legal requirements.***

*k. review procedures to ensure that the Group is in compliance with the Companies Act 2016, Main Market Listing Requirements of Bursa Securities and other legislative and reporting requirements;*

*l. review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on Management's integrity;*

*m. prepares reports, at least once a year, to the Board summarizing the activities/work performed in fulfilling the Committee's primary responsibilities, including details of relevant training attended by each Committee member;*

*n. In line with MCCG Practice 8.2, establish and maintain a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee;*

*o. In line with MCCG Practice 8.3, establish policies and procedures to access the suitability, objectivity and independence of the internal and external auditors;*

*p. to undergo relevant training annually on topics which are commensurate with the Committee's specific terms of reference to enable the Committee to effectively discharge its responsibilities;*

*q. to establish a Code of Conduct and Ethics In line with the MCCG Practice 3.1, and together with management implements its policies and procedures. The Code shall cover the following areas: -*

- anti-trust/competitive information/fair competition;
- tender/procurement/purchasing;
- anti-money laundering, anti-terrorism financing and proceeds of unlawful activities;
- confidential and proprietary information;
- record keeping and document retention;
- political participation, contribution and lobbying;
- outside employment and other activities;
- holding directorships in other entities;
- donation and sponsorship;
- gifts, entertainment, gratuities, favors and other items of value to/from stakeholders;
- health and safety;
- marketing, sales, advertising, and promotions;
- securities trading and insider information;
- personal conduct;
- harassment (sexual and other forms of discrimination); and
- employment practices and affirmative actions.

This Code of Conduct and Ethics shall be made available on the company's website.

*r. to established a Policy Whistle Blowing to encourage all employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way. This Policy shall be designed to: -*

*a. promotes and maintain high transparency and accountability in the workplace;*

*b. promotes good corporate governance practices in the workplace;*

*c. ensure that employees can raise concerns without fear of reprisals and safeguard such person's confidentiality;*

*d. protects a whistleblower from reprisal as consequence of making a disclosure;*

*e. provides a transparent and confidential process for dealing with concerns;*

- f. protect the long-term reputation of the company;*
- g. support the company's values; and*
- h. maintains a healthy working culture and an efficient company.*

s. This policy shall not only cover improprieties in matters of financial reporting, but also:

- i. negligence in carrying out work obligations;*
- ii. fraud;*
- iii. anti- corruption, bribery or blackmail;*
- iv. criminal offences;*
- v. failure to comply with a legal or regulatory obligation;*
- vi. miscarriage of justice;*
- vii. endangerment of an individual's health and safety; and*
- viii. concealment of any, or a combination, of the above.*

*t. any other activities, as authorized by the Board; and*

*In line with Paragraph 15.16 of Bursa Securities Listing Requirements on Reporting of breaches to the Exchange. Where an audit committee is of the view that a matter reported by it to the board of directors of a listed issuer has not been satisfactorily resolved resulting in a breach of these Requirements, the audit committee must promptly report such matter to the Exchange.*

3. In carrying out the above tasks entrusted by the Board, the Audit Committee is required to report back to the Board the outcome of the work carried out, unless specified otherwise, the Committee does not have specific authority or power to approve any of the tasks so entrusted by the Board.

### **Independence of the audit committee**

In line with MCGG Intended Outcome 8.0, there shall be an effective and independent Audit Committee established by the Board. This will enable the board to objectively review the findings and recommendations of this committee and in turn the company's financial statement can be a reliable source of information.

All Audit committee members shall display a strong element of objectivity, both in appearance as well as of mind. In assessing "independence in thought and action", the nominating committee or the board shall, amongst others, evaluate the audit committee members on demonstrating vigilance, skepticism and more importantly, have the courage to stand up for an objective point of view.

Audit committee members shall declare any matter in which they have an interest through the process for recording declarations of conflicts of interest in the Board.

### **Suitability & Independence of External Auditors**

1. In line with MCGG Practices 8.2 and 8.3 on assessing and reviewing the suitability, objectivity and independence of the external auditor, shall be carried out jointly by the Audit Committee and the Nomination Committee.

2. In evaluating the External Audit firm's capabilities in relation to its expertise, experience, network and reputation, the Audit Committee and the Nomination Committee shall firstly give consideration to the factors set out below: -



- a. the audit firm's reputation and the period of its presence in the industry;*
- b. qualifications of its professionals, including the breadth and depth of resources and experience of the team members;*
- c. networking ability and competency to address overseas subsidiaries not audited by the firm (its liaison capability with the secondary auditors);*
- d. audit methodology employed by the firm such as the underlying methodology and materiality used to determine the nature, extent and timing of testing required;*
- e. the internal quality control processes in place (independent quality control review and approach to audit judgments); and*
- f. how the audit firm delivers value other than through the provision of the statutory audit report.*

3. To safeguard the external auditor's independence and objectivity not foregoing relevant professional and regulatory requirements, the Audit Committee shall ensure that the:

- a. non-audit services fee is not greater than the audit service fee rendered by the external auditor;*
- b. non-audit services shall not involve any internal audit works;*
- c. external auditor's Key audit partners or Senior Employees shall not be offered employment or be appointed as a member of the audit committee by the company or any of its related company for a cooling-off period of two (2) years and any offer of employment to a former employee of the audit firm in respect of a senior management position must be pre-approved by the Audit Committee Chairman;*
- d. audit partner is being change once in every 6 (six) years;*
- e. change of audit firm is being considered once every 12 (twelve) years and*
- f. written assurance is obtained from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.*

4. Audit Committee shall give their recommendation based on the above for the appointment of the External Auditor to the Nomination Committee and thereon for the full Board's approval.

### **Procedure for Appointments, Re-appointment and Removal of External Auditor**

1. The process for appointment of External Auditor shall follow the same procedure as appointing a Company Secretary by the Nomination Committee together with recommendation from the Audit Committee on the suitability and their independence.
2. The re-appointment of External Auditors shall depend on the satisfactory results of the annual evaluation carried out by the Nomination Committee and the recommendation made jointly by the Nomination and Audit Chairman based on their independence, capabilities shown as well as the effectiveness of the audit work carried out for each financial year.
3. Removal of the Auditor shall be approved and carried out by the board as a whole when being recommended to do so by the Audit / Nomination Committee Chairman as and when the performance of the Auditors fails to meet the requirement of the Company / Board or Auditors fails to act in the best interest of the company.

### **Internal Audit Function**

1. In line with MCCG Practice 10.1 and Paragraph 15.27 of Bursa Securities Listing Requirements on Internal audit, the Board shall ensure:

- a. to establish an internal audit function which is independent of the activities it audits; and*
- b. that the internal audit function reports directly to the audit committee.*

2. As in Paragraph 15.12(1)(e) and (f) of Bursa Securities Listing Requirements, the Board shall ensure that the audit committee amongst others, discharges the following functions of reviewing the following and report the same to the board of directors of the Company/group on: -

*a. the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and*

*b. the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.*

3. In line with MCCG Practices 10.1 and 10.2, the key activities undertaken by an out-sourced internal audit firm shall be decided by the Audit Committee including its objectives and activities.

The internal audit function shall include the following:

*a. a review and an objective evaluation of the governance, risk and control environment of the company and entities across the group;*

*b. a systematic analysis of business processes to identify the associated controls in place;*

*c. an assessment of how information on fraud and irregularities is reported including providing feedback on adherence to the company's code of conduct and/code of ethics;*

*d. ad-hoc reviews of other areas where there is a concern that affects financial reporting or a threat on the safeguarding of the company's assets;*

*e. review of the compliance framework and specific compliance issues;*

*f. follow-up visits to determine the status of management implementation plans to address observations reported in preceding internal audit visits; and*

*g. value-added recommendations for more effective and efficient use of resources within the company/group.*

4. Audit Committee shall ensure that the Internal audit personnel exercise objectivity by being free from conflicts of interest or any undue influence of others that may override professional and business judgment.

5. Head of internal audit shall report directly to the Audit Committee on all internal audit matters.

6. Audit committee shall be responsible for deciding on the appointment and removal as well as the performance evaluation and remuneration of those personnel(s) in the internal audit department / function.

7. Audit Committee shall ensure that the internal audit function is being resourced with adequate manpower and supporting infrastructure, such as auditing tools and knowledge repositories. The resources and budget allocated should be proportionate with the envisaged extent and complexity of the audit work, in line with the company's size and circumstances. The audit committee shall

ensure that internal audit personnel, particularly the head of internal audit is competent to carry out the works.

8. Audit Committee shall ensure that the internal audit function be appropriately positioned within the company to be recognized as an authoritative voice. As in MCCG Practice 10.1, the audit committee shall ensure that the head of internal audit has sufficient standing and authority to discharge his or her functions effectively. This function shall be accorded with unrestricted access to the necessary information, records, physical properties and personnel to perform its agreed-upon objectives and responsibilities.

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