

## **BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE**

### 1.0 CONSTITUTION

1.1 The Board Audit Committee ("BAC" or "Committee") was created by the Board of Directors (Board) pursuant to its resolution on 14 August 1995.

### 2.0 PURPOSE

2.1 The BAC is responsible to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, internal and external audit functions and internal control system and review of audit results.

### 3.0 MEMBERSHIP

3.1 Upon recommendation of the Nomination and Remuneration Committee, the BAC shall be appointed by the Board amongst the directors of the Company who fulfill the following requirements:

- (a) the BAC must be composed of no fewer than three (3) members; a majority of the BAC members must be Independent Directors and that the Chairman of the Board shall not be a member of BAC;
- (b) the BAC must be made up entirely of Non-Executive Directors who should be financially literate; and
- (c) at least one (1) member of the BAC :-
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and;
    - (aa) he/she must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
    - (bb) he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;

- (d) in the event a former partner of the external audit firm is appointed as member to the BAC, he/she is to observe at least 3 years' cooling-off period before being appointed as a member of the BAC.

This applies to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting etc).

- (e) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").
- 3.2 The members of the BAC shall elect a Chairman from amongst themselves who shall be an Independent Director and a member of the Nomination and Remuneration Committee.
  - 3.3 No alternate Director shall be appointed as a member of the BAC.
  - 3.4 In the event of any vacancy in the BAC resulting in the non-compliance of the Main Market Listing Requirements (MMLR) of Bursa Malaysia pertaining to the composition of the audit committee, the Board shall within three (3) months of that event fill the aforesaid vacancy.
  - 3.5 The terms of office and performance of the BAC and each of its members shall be reviewed by the Board periodically to determine whether the BAC and/or its members have carried out its duties in accordance with its Terms of Reference.

#### 4.0 DUTIES AND FUNCTIONS

- 4.1 The duties and functions of the BAC shall be:

- (a) External Audit

- (i) To review the suitability, objectivity and independence of the external auditors;
- (ii) To recommend to the Board on the appointment, re-appointment or removal of external auditors, and their audit fees;
- (iii) To review and discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- (iv) To review the nature, extent and scope of non-audit services, i.e. recurring and non-recurring to ensure that they are not likely to create conflicts of interest, so as to maintain objectivity and independence of external auditors;
- (v) To review with the external auditors on any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors;

- (vi) To review audit approach, including coordination of audit efforts with internal auditors, and assistance given by the employees to the external auditors.

(b) Internal Audit

- (i) To review the internal audit plan, consider the major findings of internal audits and Management's responses, and ensure coordination between the internal and external auditors;
- (ii) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (iii) To approve the appointment or termination of the Head of Internal Audit;
- (iv) To review the performance of the Head of Internal Audit;
- (v) To approve the internal audit charter;
- (vi) To review the audit reports;
- (vii) To review the internal audit quality assurance and improvement program activity;
- (viii) To direct and where appropriate supervise any special investigations considered necessary;
- (ix) To prepare periodic reports to the Board summarising the work performed in fulfilling the BAC's primary responsibilities; and
- (x) To determine the remit of and decide on the budget for the internal audit function which reports directly to the BAC, to ensure that the internal audit function is effective and is able to function independently.

(c) Financial Reporting Review

To review with the Management and the external auditors the quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on:

- (i) any change in accounting policies and practices;
- (ii) significant and unusual events;
- (iii) major judgemental areas;
- (iv) significant adjustments resulting from the audit;
- (v) the going concern assumption;

- (vi) compliance with accounting standards; and
- (vii) compliance with other legal requirements and MMLR of Bursa Malaysia.

(d) Related Party Transactions

To review any related party transaction and conflict of interest situation that may arise in the Company and the Group including any transaction, procedure or course of conduct that raises questions of Management's integrity and the measures taken to resolve, eliminate, or mitigate such conflicts. The review of COI shall include that of directors and key management of PGB Group.

(e) Internal Control

To keep under review the effectiveness of internal control systems and the internal and/or external auditors' evaluation of these systems and in particular, review the external auditors' Management Letter and Management's responses.

(f) Other Matters

- (i) To arrange for periodic reports from Management, the external auditors and the internal auditors to assess the impact of significant regulatory changes and accounting or reporting developments proposed by accounting and other bodies, or any significant matters that may have a bearing on the annual examination;
- (ii) To discuss problems and reservations arising from the internal audit, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of Management where necessary);
- (iii) Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the BAC must promptly report such matter to Bursa;
- (iv) Carrying out any other functions that may be mutually agreed upon by BAC and the Board; and
- (v) To consider other topics, as the BAC deems fit.

## 5.0 MEETINGS

### 5.1 Frequency

- (a) Meetings shall be held not less than four (4) times a year.

- (b) The external auditors may request a meeting if they consider it necessary. Upon such request, the Chairman of the BAC shall convene a BAC meeting to consider any matters the external auditors believe should be brought to the attention of the Directors or shareholders.

## 5.2 Quorum

A quorum shall be two (2) members, majority of those present must be Independent Directors.

## 5.3 Secretary

The Company Secretary or, in his/her absence, another person authorised by the Chairman of the BAC, shall be the Secretary of the BAC. Minutes of the meetings shall be duly entered in the books provided therefor.

## 5.4 Attendance

- (a) The Managing Director/Chief Executive Officer, the Chief Financial Officer and Head of Legal shall normally attend meetings.
- (b) Other Directors, Head Internal Audit, employees of the Company and representatives of the external auditors may attend any particular meeting only at the BAC's invitation, specific to the relevant meeting.
- (c) The external auditors and internal auditors shall appear before the BAC when required to do so by the BAC.
- (d) Whilst the preference is for meetings to be conducted in a face-to-face manner or physical meetings, meetings may be held by telephone conferencing, video conferencing or by any digital means, and any member participating via the said means shall be deemed to be present in person and counted as quorum for the meeting.

## 5.5 Reporting Procedure

The Secretary shall circulate the minutes of meetings of the BAC to all members of the Board.

## 5.6 Meeting Procedure

The BAC shall regulate its own procedure, in particular:

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## 6.0 CIRCULAR RESOLUTION

6.1 The BAC Committee may pass a resolution by way of Circular Resolution signed by all BAC members who are eligible to vote shall be as valid and effectual as if it had been passed at a meeting of the BAC duly called and constituted. All such resolutions shall be described as 'Board Audit Committee's Circular Resolutions' and may consist of several documents in the like form, each signed by one (1) or more Members and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by him/her in the Company's minutes book following the receipt thereof by him/her. A BAC's resolution in writing signed and transmitted by facsimile or any electronic means shall be deemed to be original.

## 7.0 RIGHTS/AUTHORITY

7.1 The BAC in performing its duties shall:

- (a) has the authority to investigate any matter within its term of reference;
- (b) has the authority to seek full and unrestricted access to any information it requires from any employee and all employees are directed to co-operate with any request made by the BAC;
- (c) has direct communication channels with the external auditors and person(s) carrying out the internal audit functions or activities;
- (d) obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (e) be able to convene meetings with the external auditors, the internal auditors or both while excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## 8.0 COMMITTEE EVALUATION

8.1 The BAC will annually complete a self-evaluation of the Committee's own performance and effectiveness.

## 9.0 REVISION OF THE TERMS OF REFERENCE

9.1 The BAC shall review the Terms of Reference once a year to ensure compliance with current laws, regulations and guidelines and if required to recommend for amendment for Board's approval.

9.2 A revised Terms of Reference shall be effective upon approval by the Board.