

# **IBRACO BERHAD**

(Company No. 011286-P)

**Incorporated in Malaysia**

## **AUDIT COMMITTEE**

### **TERM OF REFERENCE**

#### **1 Constitution**

- 1.1 The Committee was established by a resolution of the Board on 21 April 2001.
- 1.2 The function of the Committee shall extend to Ibraco Berhad and all its subsidiary companies.
- 1.3 It was revised and adopted on 24 August 2018.

#### **2 Membership**

- 2.1 The members of the Committee shall be appointed by the Board from among their number (except Alternate Directors) which consist of not more than five members and not fewer than three members. All members must be Non-Executive Directors, with a majority of them being Independent Directors. At least one member of the committee must be an accountant or has passed the examination requirements of the Accountants Act, 1967 or fulfilled such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 2.2 In the event of any vacancy resulting in the non-compliance of paragraph 2.1 above, the Board shall within three months of that event, appoint such number of new members required to fulfil the minimum requirement.
- 2.3 No former key audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least two (2) years.
- 2.4 The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
- 2.5 All members of the Committee, including the Chairman, shall hold office only so long as they serve as Directors of the Group.
- 2.6 The Board shall review the term of office and performance of the Committee and each of its members annually.

### **3 Quorum**

Unless otherwise determined, two members shall be a quorum. The majority of members present must be Independent Directors.

### **4 Functions**

The Committee shall review the following and report the same to the Board:

- (i) With the External Auditors, the audit plans and their evaluation of the internal control systems.
- (ii) With the External Auditors, their audit report and the assistance given by the Company's and the Group's officers to the Auditors.
- (iii) The appointment or dismissal of the external auditors and their fees.
- (iv) Develop and implement policy on the supply of non-audit services by the external auditors to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.
- (v) Assess the suitability and independence of the External Auditors.
- (vi) The adequacy of the scope, function and resources of the internal audit function and whether it has the necessary authority to carry out its work.
- (vii) The internal audit programs, processes, the results of the internal audit activities and whether or not appropriate actions have been taken with respect to internal audit recommendations.
- (viii) The quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
  - (a) changes in or implementation of major accounting policy changes;
  - (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
  - (c) compliance with accounting standards and other legal requirements; and
  - (d) any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction,

procedure or course of conduct that raises questions of management integrity.

- (ix) The risk management process including the identification, assessment and mitigation of risks faced by the Company.
- (x) The allocation of options during the year under the ESOS to verify whether it is in accordance with the criteria determined by the ESOS Committee and in compliance with the ESOS by-laws.

## **5 Authority**

The Committee shall:

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have full and unrestricted access to any information pertaining to the Company and the Group;
- (iii) have the resources which are required to perform its duties;
- (iv) have direct communication channels with both the external and internal auditors;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

## **6 Meetings**

- 6.1 The Group Internal Auditor shall be the Secretary of the Committee.
- 6.2 The Committee shall meet not less than four times a year. Prior to the meeting, the Secretary shall send notice to all Committee members at least seven days prior to the meeting.
- 6.3 Minutes of each meeting shall be kept by the Secretary and circulated to all members within 14 days after each meeting.
- 6.4 Minutes shall be confirmed at the following meeting of the Committee. Confirmed Minutes shall be circulated to all members of the Board by the Company Secretary.

- 6.5 In addition to the Group Internal Auditor, the meetings will be attended by representatives of the external auditors, the Managing Director, the Chief Financial Officer and other appropriate persons as determined by the Chairman. No Director or employee shall attend any meeting of the Committee except at the Committee's invitation specific to the relevant meeting.
- 6.6 In the absence of the Chairman, the Committee shall appoint one of the Independent Non-Executive members present to chair that meeting.
- 6.7 Decisions of the Committee shall as far as possible be by consensus, failing which the decision will be by a simple majority.

## **7 Committee Report**

- 7.1 At the end of each financial year, the Committee shall prepare an Audit Committee Report which include the following:
- (i) the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
  - (ii) the number of the Committee meetings held during the financial year and the details of attendance of each member;
  - (iii) a summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
  - (iv) a summary of the work of the internal audit function.
- 7.2 The Audit Committee Report shall be forwarded to the Board for its inclusion in the Company's Annual Report.