

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **1.0 PURPOSE**

The primary objective of the Audit Committee (as a committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

### **2.0 COMPOSITION**

- i. The Audit Committee shall be appointed by the Directors amongst their numbers, who fulfil the following requirements: -
  - comprise no fewer than 3 members
  - all members must be non-executive directors, with a majority of them being independent directors;
  - all members should be financially literate and at least one member:
    - a) must be a member of the Malaysian Institute of Accountants; or
    - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and –
      - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
    - c) fulfils such other requirements as prescribed or approved by the Exchange.
  - No former audit partner of the external audit firm shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least three (3) years.
  - No alternate Director shall be appointed as a member of the Audit Committee.
- ii. The Chairman of the Audit Committee shall be an Independent Non-Executive Director, and the Chair of the Board shall not be a member.

### **3.0 REPORTING RESPONSIBILITIES**

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

### **4.0 ATTENDANCE AT MEETINGS**

- i. The Chief Financial Officer, Group Financial Controller, Chief Internal Auditor and representatives of the external auditors will normally attend meetings.
- ii. Other directors and employees may attend any particular Audit Committee meeting only upon the invitation of the Audit Committee specific to the relevant meeting.
- iii. The company secretary shall be the secretary of the Audit Committee.

### 5.0 FREQUENCY OF MEETINGS

A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

The Audit Committee should meet with the external and internal auditors without executive board members, if any, and management present at least twice a year.

The Audit Committee would meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.

The Chairman of the Audit Committee would engage on a continuous basis with senior management, such as the Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor and the External Auditors in order to be kept informed of matters affecting the company.

### 6.0 QUORUM

The quorum for a meeting shall be two (2) members. The majority of members present shall be Independent Directors.

### 7.0 AUTHORITY

- i. The Audit Committee must, in accordance with a procedure to be determined by the Board and at the cost of the Group: -
  - have authority to investigate any matter within its terms of reference;
  - have the resources which are required to perform its duties;
  - have full and unrestricted access to any information pertaining to the Company and the Group;
  - have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
  - be able to obtain independent professional or other advice; and
  - be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.
- ii. The Audit Committee may, with the approval of the Board, obtain legal or other advice from independent professionals and appoint external parties with relevant experience and expertise to assist the Committee if it considers this necessary.

### **8.0 DUTIES**

The duties of the Audit Committee shall be:

#### **8.1 FINANCIAL REPORTING**

Review the quarterly and year-end financial statements before submission to the Board, focusing particularly on:

- any changes in accounting policies and practices
- significant audit adjustments from the external auditors
- the going concern assumption
- compliance with accounting standards and other legal and regulatory requirements
- significant matters highlighted including financial reporting issues, significant judgments made by the management, significant and unusual events or transactions, and how these matters are addressed.

#### **8.2 EXTERNAL AUDITORS**

- i. Consider the appointment of the External Auditors, the audit and non-audit fees or services rendered and any questions of resignation or dismissal.
- ii. Review the nature and scope of the audit by the External Auditors before commencement.
- iii. Periodically review and recommend the External Auditors Policy of the Group to the Board for approval.
- iv. Discuss problems and reservations arising from the interim and final audits and any matter the auditors may wish to discuss (in the absence of management, where necessary).
- v. Review with the external auditors, their evaluation of the systems of internal controls, management letter and management's response.
- vi. Review any appraisal or assessment of the performance of external auditors.

#### **8.3 INTERNAL AUDIT**

- i. Review and approve the Internal Audit Charter which defines the internal audit's purpose, scope, responsibilities and authority within the Company and S P Setia Group.
- ii. Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.
- iii. Review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.
- iv. Jointly recommend with Nomination and Remuneration Committee to the Board the appointment, transfer or dismissal (including termination and removal) of Chief Internal Auditor ("CIA").

- v. Review any appraisal or assessment of the performance of members of the internal audit function.
- vi. Approve any appointment or termination of senior staff members of the internal audit function.
- vii. Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

### **8.4 INTERNAL CONTROLS**

- i. Assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations.
- ii. Review the findings of internal control in the Group reported by the external and internal auditors.

### **8.5 CORPORATE GOVERNANCE**

- i. Review and recommend the Audit Committee Report for inclusion in the Company's Annual Report to the Board for approval.
- ii. Jointly review with the Risk Management Committee and recommend the Statement on Risk Management and Internal Controls for inclusion in the Company's Annual Report to the Board for approval.
- iii. Review the results of assurance of the Sustainability Statement and approve the Statement of Assurance which forms part of the Sustainability Statement
- iv. Consider external assurance planned beyond scope of annual statutory audit for new areas of auditing:
  - Appoint / re-appoint or terminate assurance provider, including its fees for its services rendered.
  - Review the nature of assurance, scope and deliverables of the assurance provider. The deliverables can be in any form of either opinion, assurance, limited assurance, management report, presentations or updates by the assurance provider.
- v. Review any related party transactions and conflict of interest situation that may arise within the Company or S P Setia Group including any transaction, procedure or course of conduct that raises questions of management integrity. The Audit Committee shall refer to the relevant regulations or guidelines issued by Bursa Malaysia Securities Berhad relating to management of conflict of interests that may be issued from time to time.
- vi. Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee to promptly report such matter to Bursa Malaysia.
- vii. Consider other related matters, as defined by the Board.

**9.0 PERFORMANCE OF THE AUDIT COMMITTEE**

- i. The Audit Committee members' terms of office and respective performance shall be reviewed by Nomination and Remuneration Committee annually to determine whether the Audit Committee and each of its members have carried out their duties in accordance with this Terms of Reference.

**10.0 CIRCULAR RESOLUTION**

- i. A resolution in writing signed by all members shall be valid and effectual as if it had been passed at a meeting of the Committee. All such resolutions shall be described as "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. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile or any other form of electronic communication.

**11.0 REVIEW OF THE TERMS OF REFERENCE**

- i. The Terms of Reference shall be reviewed every 2 years or where necessary, i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements of Bursa Malaysia or any other regulatory requirements. Board approval is required for any changes in the Terms of Reference.