



Management Procedure	RANHILL BOARD OF DIRECTORS	Issue No.	04
Document Title	Board Charter - Appendix I: Audit Committee: Terms Of Reference ("TOR") - Revision on composition of AC members	Revision No.	03
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AUDIT COMMITTEE: TERMS OF REFERENCE

The Audit Committee ("**AC**") is a committee of the Board of Ranhill Holdings Berhad ("**the Company**"). The authority, functions, responsibilities and duties of AC are also extended to all subsidiary companies in the Group.

1.0	Primary Functions	To assist the Board in:- a) fulfilling its statutory and fiduciary responsibilities of monitoring the Group's operational and financial performance; b) reviewing the Group's business processes, the quality of the accounting function, financial reporting and the system of internal controls; c) enhancing the independence of the external and internal audit functions by providing direction and oversight of these functions on behalf of the Board; and d) ensuring an effective ethics programme is implemented, and monitor compliance with established policies and procedures.
2.0	Composition	a) AC shall consist of not fewer than 3 Board members, all of whom must be Independent Directors; b) Chairman of the AC shall be an Independent Director and is not the Chairman of the Board; c) No Alternate Director shall be appointed as a member of AC; d) At least 1 member of the AC shall be member of the Malaysian Institute of Accountants ("MIA") or fulfills such other requirements as prescribed by the MMLR; e) All members of the AC shall be financially literate and have the ability to read, understand and analyse financial statements, understand and interpret the application of approved accounting standards; f) If a member of the AC resigns or for any reason ceases to be a member which results the number of members is reduced to fewer than 3, the Board shall within 3 months of the event, appoint such number of new member(s) as may be required to fill the vacancy;



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		<p>g) Reappointment of AC members shall be subjected to a performance review of the AC and each member by the Board;</p> <p>h) No former audit partner of the Company's external auditors shall be appointed to the AC unless he/she has observed a cooling-off period of at least two (2) years before being appointed as a member of the AC; and</p> <p>i) A Director's tenure as an AC member shall be limited for a period of 3 years. However, a Director could continue to serve as an AC member if the Board, upon an assessment is satisfied with the Director's performance and the Director continues to meet the criteria for membership of the AC.</p>
3.0	Meetings	<p><u>Frequency</u></p> <p>AC shall meet at least 4 times annually or more frequently as considered necessary by the Chairman of AC.</p> <p><u>Quorum</u></p> <p>a) Quorum for meetings shall be 2 members; both of whom shall be Independent Directors including the Chairman. In absence of the appointed Chairman, the members present shall elect another member who is an Independent Director as Chairman for the meeting from amongst the members present;</p> <p>b) The Head of Group Corporate Assurance Division ("GCAD") shall be a permanent invitee unless otherwise decided by the Chairman. The President and Chief Executive ("PCE"), Chief Corporate Officer ("CCO") and Chief Financial Officer ("CFO") shall normally be invited to attend the meetings. Other members of the Board, Senior Management, Heads of Divisions and any employee may be invited to the meetings where necessary;</p> <p>c) At least once a year, the AC shall meet with the external and internal auditors without the presence of any executive Board member and Senior Management;</p> <p>d) The external auditors have the right to request for a meeting. Upon such request, the Chairman must convene a meeting to consider any matter the external auditors believe should be brought to the attention of the Directors or Shareholders.</p>



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		<p><u>Conduct of meetings</u></p> <p>a) The notice and agenda of meetings shall be circulated at least 7 business days in advance of each meeting. The meeting agenda shall be the responsibility of the Chairman with input from the members;</p> <p>b) The meeting materials shall be dispatched to the members at least 5 business days in advance of each meeting in order to provide the members sufficient information and time to prepare for meetings;</p> <p>c) All resolutions of the AC shall be adopted by a simple majority vote. In case of a tie, the Chairman shall have a second or casting vote;</p> <p>d) The minutes of the meeting shall record the deliberations, decisions and agreed actions of the AC. Copies of the draft minutes shall be distributed to AC members within a week from the meeting and finalised within 3 weeks. Minutes of the meetings shall be duly entered in the minutes books and circulated to members of the AC and Board, Head of GCAD, CCO, CFO and other relevant Senior Management members;</p> <p>e) A meeting shall normally be conducted in persons. However, meetings may also be conducted via teleconferencing or video conferencing as may be determined by the AC; and</p> <p>f) The Company Secretaries shall be appointed as Secretaries of the AC.</p>
4.0	Authority	<p>The AC is authorised by the Board to:-</p> <p>a) review and investigate any matter within its terms of reference;</p> <p>b) have adequate resources which are required to perform its duties;</p> <p>c) have full and unrestricted access to any information pertaining to the Group;</p> <p>d) have direct communication channels with external auditors, person(s) carrying out the internal audit function or activity and all employees of the Group;</p> <p>e) obtain independent professional or other advice, if required; and</p>



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		f) when necessary, convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, without the attendance of other Directors and employees of the Group.
5.0	Responsibilities	<p><u>Oversight of Financial Reporting</u></p> <p>a) Review quarterly and annual financial statements with Management and internal auditors, prior to approval by the Board, focusing on any change in accounting policies and practices and its implementation, significant adjustments arising from the audit, going concern assumptions, significant and unusual events, significant matters highlighted in the financial statements, significant judgements made by Management, and compliance with accounting standards and regulatory requirements. The review by the external auditors of the quarterly statements would be on a case-to-case basis, when necessary;</p> <p>b) Review audited financial statements with the external auditors, prior to approval by the Board, on whether there is any:-</p> <ul style="list-style-type: none"> ▪ qualification in the auditor's report which must be discussed and acted upon; ▪ significant change and adjustment to the presentation of financial statements; ▪ key audit matters in the auditors' report of the financial statements that should be brought to the attention of the Board and Shareholders; ▪ non-compliance with laws and accounting standards; ▪ material fluctuation in balances; ▪ significant variation in audit scope and approach; and ▪ significant commitment or contingent liability. <p>c) Discuss problems and issues arising from the audits, and any matter the external and/or internal auditors and/or Head of GCAD may wish to discuss in the absence of Management, where necessary; and</p> <p>d) Provide the Board with assurance on the quality and reliability of financial information used by the Board and of the financial information issued publicly by the Group.</p> <p><u>Oversight of Assurance, Compliance and Controls Environment</u></p> <p>a) Oversee the internal controls framework to ensure operational effectiveness and adequate protection of the Group's assets;</p>



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	<p>b) Review, challenge and approve the Internal Audit Charter, Annual Internal Audit Budget, audit and compliance plans, risk assessment and audit methodology and ensure adequacy of their scopes, robustness in the planning process and sufficient resources to implement the plans independently and objectively, and that they have the necessary authority to carry out their work;</p> <p>c) Review internal audits and compliance reports, discuss major findings and deficiencies in internal controls and Management response and ensure agreed actions are taken within the agreed timeframe;</p> <p>d) Approve the appointment or termination of the Head of GCAD and assess his/her performance;</p> <p>e) Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information;</p> <p>f) Appraise or assess the internal audit function and competency; and</p> <p>g) To take cognisance of the resignation and termination of Senior Management in GCAD and provide the resigning and terminated staff, an opportunity to submit his/her reasons for resigning.</p> <p><u>Dealings with External Auditors</u></p> <p>a) Review and recommend to the Board, the appointment and any resignation or dismissal of the external auditors, and the audit fee. In appointing the external auditors, the AC must consider, among others:</p> <ul style="list-style-type: none"> • the suitability, objectivity and independence of the external auditors; • the adequacy of the experience and resources of the audit firm; • the persons assigned to the audit; • the audit firm's audit engagement; • the size and complexity of the Group; • the number and experience of supervisory and professional staff assigned to the particular audit; and • to review external auditor performance upon completion of the annual audit.
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		<p>b) Discuss with the external auditors the nature and scope of the audit, the audit plan, evaluation of the system of internal controls, effectiveness of management information system, and the audit reports;</p> <p>c) Convene a meeting upon request of the external auditors to consider any matter the external auditors believe shall be brought to the attention of the Directors or Shareholders; and</p> <p>d) Monitor the extent of non-audit work to be performed by the external auditors.</p> <p><u>Related Party Transactions ("RPT") and Recurrent Related Party Transactions ("RRPT")</u></p> <p>a) Review RPT and RRPT to ensure that they are conducted in the best interest of the Group, fair and reasonable, at arm's length and on normal commercial terms and not detrimental to the interests of the minority shareholders; and</p> <p>b) Ensure that internal control procedures and guidelines on RPT and RRPT are undertaken on an arm's length and on normal commercial terms and not detrimental to the interests of the minority shareholders.</p> <p><u>Other Matters</u></p> <p>a) Prepare a report of the AC at the end of the financial year for inclusion in the Annual Report pursuant to the MMLR. The report shall include:</p> <ul style="list-style-type: none"> • the composition of the AC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise); • the number of AC meetings held during the financial year and details of attendance of each AC member; • a summary of the work of the AC in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and • a summary of the work of the internal audit function. <p>b) Review and recommend to the Board the statement to be incorporated in the Annual Report on Director's responsibility in preparing the annual audited financial statements;</p>
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		<p>c) Review with the external auditors and propose to the Board the Statement on Risk Management and Internal Control to be incorporated in the Annual Report;</p> <p>d) Review any conflict of interest situation or potential conflict of interest situation that may arise involving the Major Shareholders, Board members and Senior Management of the Group. This include the review of procedures for detecting and declaration of any conflict of interest situation or potential conflict of interest situation;</p> <p>e) Ensure that proper processes and procedures are in place to comply with all laws, regulations and rules established by all relevant regulatory bodies; and</p> <p>f) Undertake any such other function as may be determined by the Board from time to time.</p>
6.0	Reporting	<p>The Chairman of AC shall:</p> <p>a) formally report to the Board on the AC proceedings, whereby the approved minutes of AC meetings shall be tabled to the Board for notation;</p> <p>b) attend the Annual General Meeting and be prepared to respond to any question from the Shareholders on the AC's activities; and</p> <p>c) promptly report to BMSB, if the AC views that a matter resulting in the breach of MMLR reported by AC to the Board has not been satisfactorily resolved by the Board.</p>
7.0	Performance	<p>The reviews on terms of office and performance of the AC and each of its members shall be evaluated by Nominating and Remuneration Committee on an annual basis.</p>

End of Appendix I for AC.