

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

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### **1. CONSTITUTION**

The Audit Committee ("**AC**") is established as a committee of the Board of Directors ("**the Board**") of Benalec Holdings Berhad ("**Company**" or "**Benalec**") and its subsidiaries (collectively referred to as "**Benalec Group**"), who authorises the terms of reference ("**TOR**") of the AC.

### **2. COMPOSITION**

2.1 The AC must be appointed by the Board from amongst the Directors, who fulfils the following requirements:-

- comprised no fewer than three (3) members;
- all members must be Non-Executive Directors ("**Non-ED**"), with a majority of them being Independent Directors ("**ID**") as defined in Chapter 1 of the Main Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"); and
- all members should be financially literate and at least one (1) member must be a member of the Malaysian Institute of Accountants or fulfils such other requirements as prescribed or approved by Bursa Securities.

2.2 The Chairman of the AC must be elected among themselves who is an ID. In his absence, the AC members present may elect from among themselves the Chairman for their meetings. The Chairman of the AC shall not be the Chairman of the Board.

2.3 No alternate director shall be appointed as a member of the AC.

2.4 In the event of any vacancy in the AC resulting in the non-compliance of the Listing Requirements, the Board must fill the vacancy within three (3) months of the occurrence of that event.

2.5 All members of the AC to undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

### **3. AUTHORITY**

- a. The AC is authorised to investigate any matter within its TOR and to seek any information it requires from any employee for the purpose of discharging its functions and responsibilities.
- b. The AC shall have the resources which are required to perform its duties and shall have full and unrestricted access to any information pertaining to the Company or Benalec Group.
- c. The AC is authorised to obtain external legal or independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if necessary.

- d. The AC shall have direct communication channels with both the internal and external auditors and is able to convene meetings with the internal and external auditors, excluding the attendance of the management, whenever deemed necessary.
- e. The AC makes no decision on behalf of the Board but makes recommendations to the Board.

#### **4. FUNCTIONS AND DUTIES**

The duties of the AC shall be:-

- a. To review and recommend the appointment of external auditors, the audit fee and any questions of suitability, resignation or dismissal including the nomination of person or persons as external auditors.
- b. To discuss with the external auditors on the following:-
  - i. audit plan including nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
  - ii. the evaluation of the system of internal controls; and
  - iii. assistance given by the employees of the Company to the external auditors.
- c. To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-
  - changes in or implementation of major accounting policies changes;
  - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed; and
  - compliance with accounting standards and other legal requirements.
- d. To prepare AC Report at the end of financial year.
- e. To discuss problems and reservations arising from interim and final external auditors, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- f. To review the external auditors' management letter and management's response.
- g. To establish policies and procedures to assess the performance, suitability, objectivity and independence of external auditors that considers, among others:-
  - the competence, audit quality and resource capacity of the external auditor in relation to the audit;
  - the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
  - obtaining written assurance 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.

The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually.

- h. To do the following with regard to related party transactions (including recurrent related party transactions) and conflict of interest situations:-

- to review any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or Benalec Group's including any transaction, procedure or course of conduct that raises questions of management integrity; and the measures taken to resolve, eliminate or mitigate such conflicts; and
  - ensure that Benalec Group had adequate procedure and processes in place to monitor, track and identify recurrent related party transaction and to review these procedures and processes on a half yearly basis;
- i. To do the following with regard to the internal audit function:-
- review the adequacy of scope, functions, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
  - review the internal audit plan, processes and the results of the internal audit assessments, investigations undertaken and whether or not appropriate action is taken on recommendations;
  - ensure coordination of external audit with internal audit;
  - consider the major findings or internal audit investigations and management's response and ensure that appropriate actions are take on the recommendations of the of the internal audit function;
  - to review related party transactions entered into by the Company and its subsidiaries, and to ensure that the Directors report such transactions annuals to shareholders via the annual report; and
  - to review and monitor the effectiveness of internal control systems and to evaluation the systems with external auditors;
- j. To carry out such other responsibilities, functions or assignments as may be defined jointly by the AC and the Board of Directors from time to time; and
- k. To promptly report to Bursa Securities where the AC 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 of Bursa Securities.
- l. To consider other related matters as defined by the Board.

## **5. CHAIRMAN**

The Chairman of the AC shall be approved by the Board and shall be an Independent Non-ED.

## **6. SECRETARY**

The Company Secretary of the Company shall be the Secretary of the AC or his/her nominee shall be the Secretary of the AC.

## **7. MEETINGS**

### **7.1 Frequency and calling**

The AC shall meet at least four (4) times a year on a quarterly basis and the Chief Financial Officer, Internal Auditor and External Auditors should normally attend the meetings. Representative of the external auditors and other board members may attend meetings upon invitation of the AC.

Additional meetings may be called at any time at the AC Chairman's discretion. The Chairman is also required to call for a meeting of the AC, if requested to do so by any AC members or the Board of Directors.

**7.2 Notice**

The notice period convening the meeting of the AC shall be at least seven (7) days, which may be waived with the consent of the majority members of the AC.

**7.3 Quorum**

The quorum of the meeting shall be a majority of members present being IDs.

**7.4 Recommendation to the Board**

Recommendation to the Board during the AC meetings must be supported by a majority of the AC members, who are not interested in the transaction.

In the case of an equality of votes, the Chairman of the AC shall have a second or casting vote.

**7.5 Participation in meetings by conferencing**

All or any members of the AC may participate in a meeting of the AC by means of telephone conference, video conference or any communication technology, which allows all members of the AC participating in the meeting to communicate simultaneously with each other. A member of the AC so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

**7.6 Private sessions with the external auditors**

The AC shall meet with the external auditors, the internal auditors or both, without the other EDs and employees of the Company or Benalec Group at least twice (2) a year and whenever deemed necessary.

**8. CIRCULAR RESOLUTIONS**

A resolution in writing signed or approved by letter, facsimile, electronic mail or other forms of electronic communication by the majority of AC members, shall be valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. Such resolutions may consist of several documents in like form, each signed by one or more members.

**9. REVIEW OF THE TERMS OF REFERENCE**

The AC shall recommend any changes to its terms of reference in such manner as the AC deems appropriate to the Board for approval. The terms of reference shall be accessed, reviewed and updated where necessary.

The latest copy of the TOR of the AC shall be made available on the Company's website.