

# INARI AMERTRON BERHAD

## Terms of Reference of the Audit Committee

This Terms of Reference sets out the matters concerning the governance of the Audit Committee (“AC” or the “Committee”).

### 1. Purpose

- 1.1 The purpose of the AC is to assist the Board of Directors (“Board”) in ensuring that there is robust oversight on their audit financial reporting, external audit, internal audit and compliance matters concerning Inari Amertron Berhad (“Inari” or the “Company”) and its subsidiaries (collectively referred to as the “Group”); and
- 1.2 In the exercise of its functions, it is understood that the Audit Committee is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the Committee does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.
- 1.3 To assist the Board in establishment, embedding and oversight the ethical policy framework and its value. Ensuring and monitoring the Group’s overall ethical health and compliance level with professional and ethical standards.

### 2. Authority

- 2.1 The AC in the performance of its duties, is authorised by the Board, in accordance with a procedure determined by the Board and at the expense of the Group:
  - (a) have authority to investigate any matter within its Terms of Reference;
  - (b) have the resources which are required to perform its duties;
  - (c) have full and unlimited access to any information and documents pertaining to the Group;
  - (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
  - (e) be able to obtain external, legal or other independent professional advice and secure the attendance of external parties with relevant experience and expertise if it considers necessary; and
  - (f) 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 Company, whenever deemed necessary.

*(paragraph 15.17 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad)*

### 3. Composition of the Committee

#### 3.1 Size

- 3.1.1 The Committee shall have a minimum of at least three (3) members. *[paragraph 15.09(1)(a) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad].*

### 3.2 Membership

3.2.1 All the Committee members shall be Non-Executive Directors with the majority being independent [*paragraph 15.09(b) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*];

3.2.2 At least one member of the Committee:

- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if he is not a member of the MIA, he must have at least three (3) years’ working experience and
  - a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

*[paragraph 15.09(1)(c) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*

3.2.3 There shall not be any Alternate Director appointed as a Committee member [*paragraph 15.09(2) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*].

### 3.3 Chairman of the Committee

3.3.1 The Chairman of the Audit Committee shall be an independent non-executive director appointed by the Board and is not the Chairman of the Board (*paragraph 15.10 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 8.1, Malaysian Code on Corporate Governance*).

### 3.4 Secretary of the Committee

3.4.1 The Secretaries of the Committee shall be the Company Secretaries.

## 4. Appointment of Members

4.1 The Nomination Committee (“NC”) in consultation with the AC shall recommend the appointment of AC members to the Board;

4.2 Members shall be appointed based on their ability to devote time, skills and experience relevant to their duties of the AC. Collectively, the Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and able to understand matters under the purview of the AC including the financial reporting process (*Practice 8.5, Malaysian Code on Corporate Governance*);

4.3 All appointed members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules (*Practice 8.5, Malaysian Code on Corporate Governance*);

4.4 Former key audit partners or former employees of the external audit firm shall observe a two-year cooling-off period prior to being entitled for appointment to the AC, as outlined in the Company’s Policy on External Auditor;

- 4.5 The members serving the Committee shall be changed at appropriate intervals, if deemed necessary. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis; and
- 4.6 In the event of any vacancy in the Committee, which results in fewer than three (3) Committee members with a majority of Independent Directors and/or absence of an MIA member or equivalent and/or the absence of an Independent Chairman, the vacancy must be filled within three (3) months (*paragraph 15.19 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*).

## **5. Performance Evaluation**

- 5.1 The effectiveness of the AC (including skills mix and contribution of members) and the term of office shall be assessed annually by the NC (*paragraph 15.20 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 5.1, Malaysian Code on Corporate Governance*). The assessment shall be facilitated using self and peer rating by the Chairman of the AC and the NC shall discuss the outcome of the assessment with the Chairman of the AC.

## **6. Duties of the Chairman of the Committee**

- 6.1 The key duties of the AC Chairman shall include the following:
- (a) Ensure the overall effectiveness and independence of the Committee (*Guidance on Practice 8.1, Malaysian Code on Corporate Governance*);
  - (b) plan and conduct the AC meetings;
  - (c) Ensure that the AC meetings are run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the Committee;
  - (d) Encourage open discussion during meetings;
  - (e) oversee reporting to the Board; and
  - (f) act as the key contact between the Committee members and members of the Board and maintain active ongoing dialogue with Management and both internal and external auditors.
- 6.2 The Chairman of AC together with other members of the Committee shall also ensure, amongst others, the following:
- (a) the Committee is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;
  - (b) the Committee appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
  - (c) the Committee's concerns on matters that may have an effect on the financials or audit of the Company are communicated to the external auditor; and
  - (d) there is co-ordination between internal and external auditors.
- (*Guidance to Practice 8.1, Malaysian Code on Corporate Governance*)

## **7. Duties and Responsibilities**

- 7.1 Reporting process

- 7.1.1 Evaluate and monitor the financial reporting process, and provide assurance that the financial information provided by management is relevant, reliable and timely;
- 7.1.2 Review and report the same to the Board the quarterly and year-end financial statements, before the approval by the Board, focusing particularly on:
  - (a) changes in or implementation of major accounting policy changes;
  - (b) significant adjustments arising from the audit;
  - (c) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed; and
  - (d) compliance with accounting standards and other legal requirements.

*[paragraph 15.12(1)(g) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad].*
- 7.1.3 Review and recommend to the Board for approval, the Audit Committee Report, Corporate Governance Overview Statement, and Statement on Risk Management and Internal Control for inclusion in the Annual Report as well as Corporate Governance Report for an announcement and publication on the website of Bursa Malaysia Securities Berhad; and
- 7.1.4 Review the adoption of integrated reporting based on a globally recognised framework, whenever necessary.

## 7.2 External audit function

- 7.2.1 Consider the nomination and appointment of the external auditors, the auditors' remuneration and any matters pertaining to resignation or dismissal of the external auditors, in line with the Company's Policy on External Auditor;
- 7.2.2 Assess annually the suitability, objectivity and independence of the external auditor, in line with the Company's Policy on External Auditor;
- 7.2.3 Ensure the independence of the Company's external auditors and its ability to conduct its audit without any restriction;
- 7.2.4 Along with the external auditors, review and report the same to the Board, the audit plan in particular the adequacy of existing external audit arrangements with emphasis on the scope, and ensure co-ordination where more than one audit firm is involved *[paragraph 15.12(1)(a) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad];*
- 7.2.5 Along with the external auditors, review and report the same to the Board, the evaluation of the system of internal controls and the audit report. The committee shall also ensure that the recommendations given by the External Auditors regarding major management and weaknesses are implemented. *[paragraph 15.12(1)(b)-(c) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad];*
- 7.2.6 Review the external auditor's management letter and management's response;
- 7.2.7 Maintain regularly scheduled meetings between the Board, senior management and external auditors which serve as a forum for communication between non-Committee Directors, the senior management and external auditors and providing a forum for discussion that is independent of the management through regularly scheduled meetings;

- 7.2.8 Ensure that the external auditor reviews a statement made by the Board with regards to the state of risk management and internal controls of the Group and reports the results thereof to the Board (*paragraph 15.23 of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*); and
- 7.2.9 Recommend to the Board on the extent and nature of non-audit services (when the non-audit service fee exceeds the audit service fee) that can be carried out by the external auditor and ensure adequacy of checks and balances on the provision of such non-audit services, in line with the Group's Policy on External Auditor.

### 7.3 Internal audit function

- 7.3.1 Ensure the adequacy and integrity of the Group's system of internal controls in carrying out the Group's operations, which includes but not limited to anti-corruption mitigating measures;
- 7.3.2 Oversee the internal audit function and ensure compliance with relevant regulatory requirements and ensure that the internal audit function is effective and able to function independently, which includes but not limited to anti-corruption mitigating measures;
- 7.3.3 Review the adequacy of the scope, functions, competency and number of resources of the internal audit function and that it has the necessary authority to carry out its work, which includes but not limited to anti-corruption mitigating measures [*paragraph 15.12(1)(e) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*];
- 7.3.4 Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigation and actions and steps taken by management in response to audit findings, which includes but not limited to anti-corruption mitigating measures;
- 7.3.5 Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function, which includes but not limited to anti-corruption mitigating measures [*paragraph 15.12(1)(f) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*];
- 7.3.6 Review and endorse the internal audit charter which outlines the purpose, authority and responsibility of the Group's internal audit function, which includes but not limited to anti-corruption mitigating measures;
- 7.3.7 Review any appraisal or assessment of the performance of members of the internal audit function;
- 7.3.8 Recommend to the Board the external advisors to be engaged when the internal audit function lacks expertise needed to perform specialised audit, which includes but not limited to anti-corruption mitigating measures. In such instance, recommend the fees payable, ensure clear establishment of the terms and scope of engagement, and reporting requirements; and
- 7.3.9 ensure the internal audit function is carried out in accordance with a recognized framework.

### 7.4 Compliance and integrity function

- 7.4.1 Ensure transparency, integrity and accountability of the Group's activities so as to safeguard the rights and interests of the shareholders;

- 7.4.2 Review related party transactions and conflicts of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity [*paragraph 15.12(1)(h) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*];
  - 7.4.3 Monitoring compliance with practices of corporate governance and identification of significant non-compliance;
  - 7.4.4 Review annually the Group's Code of Business Conduct and Ethics and to make recommendations to the Board thereon;
  - 7.4.5 Review annually the Group's Anti-Corruption and Bribery Policy and to make recommendations to the Board thereon; and
  - 7.4.6 Review the Group's whistle-blowing policy and monitor the responses to the Group's whistleblowing line and other mechanisms used to raise concerns. The Committee shall also oversee actions following breaches of Code of Business Conduct and Ethics or allegations of misconduct.
- 7.5 Carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time.

## **8. Reporting and Disclosure**

- 8.1 The AC shall oversee the preparation of the AC Report in accordance with paragraph 15.13 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad; and
- 8.2 The AC shall promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Listing Requirements (*15.16 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*).

## **9. Meetings**

- 9.1 Frequency and calling of meetings
  - 9.1.1 The Audit Committee shall meet at least five (5) times a year or as frequently as the circumstance dictates;
  - 9.1.2 Additional meetings shall be scheduled as considered necessary by the Committee. The Chairman may convene a meeting of the Audit Committee if requested to do so by any member or the management;
  - 9.1.3 The Committee shall meet with the external auditors at least once a year;
  - 9.1.4 Upon the request of the external auditor, the Chairman must convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders (*paragraph 15.24 of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*); and
  - 9.1.5 To ensure critical issues are highlighted to all the Board members in a timely manner, where possible, the Audit Committee meetings are convened before the Board meetings. The

issues raised at the Audit Committee meetings will be further deliberated at Board level if necessary.

## 9.2 Notice of Meetings

9.2.1 The Secretaries shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee; and

9.2.2 Unless otherwise agreed by the members and whenever necessary, the notice of each meeting confirming the venue, date and time together with the brief agenda of the meeting shall be circulated to all members and any other persons who may be required to attend the meeting within a reasonable period prior to the meeting (*Paragraph 4- notice on meetings, Third Schedule of Companies Act 2016 and Practice 1.5, Malaysian Code of Corporate Governance*).

## 9.3 Quorum and Participation

9.3.1 The quorum for the meetings of the Committee shall be a minimum of two (2) members and the majority of members present shall be Independent Directors (*paragraph 15.18 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*);

9.3.2 In the absence of the Chairman of the Audit Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be an independent director to chair the meetings;

9.3.3 Each individual Committee member shall attend at least 50% of the Committee meetings held during the financial year;

9.3.4 The Audit Committee may invite other Directors and employees to be present to assist in resolving and clarifying matters raised. The Group Chief Financial Officer and certain senior members of the Group finance division shall normally attend the meetings;

9.3.5 The Committee shall ensure that other Directors and employees attend any particular AC meeting only at the Committee's invitation, specific to the relevant meeting (*paragraph 15.13 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*); and

9.3.6 The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/video-conferencing or other appropriate means may be permitted.

## 9.4 Voting

9.4.1 A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote; and

9.4.2 A member who has interest in a contract or proposed contract or transaction or arrangement or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in decisions.

## 9.5 Minutes of Meetings

9.5.1 The Company Secretaries shall also be responsible for keeping minutes of the meetings and circulate them in a timely manner to members of the Audit Committee and to the other members of the Board where issues can be further deliberated where necessary;

- 9.5.2 The minutes of the meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting;
- 9.5.3 All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- 9.5.4 The Secretaries shall be responsible for keeping minutes of meetings of the Committee at the registered office of the Company under the custodian of the Company Secretaries, and the minutes of meetings shall be open to the inspection of any member of the Audit Committee or any member of the Board.

#### 9.6 Follow up meetings

- 9.6.1 The Chairman of the Committee meeting shall provide a written or a verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board; and
- 9.6.2 The Chairman of the Committee and/or other Committee members must be available to meet with governmental and regulatory bodies to explain, seek clarification or follow up on any matter deliberated by the Committee at Committee meetings.

### **10. Review and Amendment of Terms of Reference**

- 10.1 This Terms of Reference has been endorsed by the Board. It is periodically reviewed and made available on the Company's website. The Board may also review and amend this Terms of Reference as and when it is necessary;
- 10.2 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference; and
- 10.3 The Company Secretary shall ensure that the provisions of this Terms of Reference continue to comply with corporate governance requirements applicable to Inari and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.

Date: 27 August 2020