

CAHYA MATA SARAWAK BERHAD
(21076-T)
(Incorporated in Malaysia)

GROUP AUDIT COMMITTEE
TERMS OF REFERENCE

The authority for the formation of this Group Audit Committee shall be the resolution passed on 27 March 1995 by the Board of Directors at its 83rd meeting and the Articles of Association of Cahya Mata Sarawak Berhad (“CMS” or “the Company”). The functions of the Group Audit Committee shall extend to CMS Group of Companies collectively referred to as the “CMS Group”. The revised Terms of Reference is adopted on 25 November 2020 as follows: -

1. Composition

- a) The Committee shall be appointed by the Board of Directors amongst its member of no more than five (5) members and no fewer than three (3) members and shall comprise of a majority of Independent Directors as defined below:
- is not an executive director of the Company or its related corporation;
 - has not been within the last 3 years and is not an officer (except as an independent director) of the Company or its related corporation;
 - is not a major shareholder of the Company or its related corporation;
 - is not a family member of any executive director, officer or major shareholder of the Company or its related corporation (“family member” means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child);
 - is not acting as a nominee or representative of any executive director or major shareholder of the Company or its related corporation;
 - is not engaged as an adviser by the Company or its related corporation or is not presently a partner, director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said corporation; or
 - has not engaged in any transaction with the Company or its related corporation or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Company or its related corporation.
- b) At least one member of the Committee:
- must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - if he is not a member of the MIA, 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
 - fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

- c) The members of the Committee shall elect from among their number a Chairman who is an independent director.
- d) Where the Members for any reason are reduced to less than three (3), the Board shall within three (3) months of the event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members.
- e) All Members shall hold office only for so long as they serve as Directors of the Company.
- f) Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company.
- g) The Committee shall require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee. In this regard, a key audit partner refers to the engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgements on significant matters with respect to the audit of the financial statements of the Company on which the auditor will express an opinion.
- h) The Secretary of the Committee shall be the Group Company Secretary who shall be equipped with the skills and expertise to provide sound corporate governance advice and ensure compliance with legal and administrative matters.

2. Meeting and Minutes

- a) The Committee shall meet as and when required upon request by the Members, provided that the Committee shall meet at least quarterly.
- b) The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving five (5) days' notice.
- c) The Group Chairman shall always be invited to attend meetings of the Committee.
- d) No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum of each meeting shall be a majority of independent directors.
- e) If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved. The meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and as such other time and place as the Members may determine. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the meeting shall be dissolved. In the event the meeting is dissolved due to insufficient quorum and/or a disagreement arises between the Members of the Committee which is not resolved, such matter(s) shall be tabled to the Board for deliberation and/or decision.
- f) Attendance at a meeting may be by being present in person or by participating in the meeting by means of video or teleconference.

- g) In the event of equality of votes, the Chairman shall have a casting vote.
- h) In addition to the Committee members, the meeting will normally be attended by representatives of the external auditors, the Group Managing Director, the Group Chief Financial Officer, the Chief Operating Officer and the Group Internal Auditor. The Committee may at their discretion and as the need arises, invite one or more persons of relevant expertise to attend the meeting.
- i) Draft minutes of each meeting shall be distributed to each Member of the Committee and the Board within one (1) week of the meeting.
- j) Minutes of each meeting shall be kept at the registered office of the Company under the custodian of the Company Secretary. The Minutes shall be open for the inspection of the Board, external auditor, internal auditor, Management and other persons deemed appropriate (subject to prior consent of the Chairman of the Committee) by the Company Secretary.
- k) The Chairman shall provide to the Board a summary of the proceedings, signed by the Chairman of the Committee, after each meeting.
- l) The Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting.
- m) All recommendations and findings of the Committee shall be submitted to the Board for approval. Upon such approval, the Secretary shall distribute to each Member a copy of the said approval.

3. Duties

The Committee shall carry out the following responsibilities and report the same to the Board of Directors of the Company:-

Financial Statements

- a) Review with the appropriate officers of the Group the quarterly results and annual financial statements of the Company and the Group, focusing particularly on significant changes in or implementation of accounting policies and practices, accounting treatments, significant judgements made by management, adjustments arising from the audits, compliance with accounting standards (MFRS) used and disclosures requirements, comments and responses to audit issues and other legal requirements to ensure that the financial statements present a true and fair view of the Company's financial performance prior to making a recommendation to the Board for approval and public release thereof.
- b) Deliberate significant and unusual events or transactions and reasonableness of accounting standards application highlighted by external auditors and/or made by Management to derive the Company's financial statements.
- c) Review accounting/audit issues, findings and other reservations arising from the external audit and ensure that appropriate action is taken.

- d) Review the recommendation to the board on interim and final dividend.

Anti-corruption Practices

Review and ensure that adequate procedures are in place to prevent the occurrence of corrupt practices in relation to the business activities of the CMS Group by its employees and/or any person(s) associated with the Group where such practices were carried out for the benefit or advantage of the Group.

- a) Ensuring that the Board and senior management team are fully committed to practising the highest levels of integrity and ethics and fully complies with all applicable laws and regulatory requirements on anti-corruption.
- b) Review the adequacy of policies and procedures in place to support the anti-corruption compliance program implemented by the Group to address corruption risks and to receive reports on any non-compliances.
- c) Review the Group's procedures for handling whistleblowing reports in relation to any suspected and/or real corruption incidents or inadequacies in the anti-corruption compliance programme.
- d) Review reports and assurances as appropriate on the implementation of internal and external training and communications pertaining to the anti-corruption compliance program covering policies, training, reporting channel and consequences of non-compliance.
- e) Ensuring that the development, maintenance, enforcement and periodic review of the anti-corruption program, including a comprehensive risk assessment, is adequately documented and subjected to periodic audit whether internal or external or both.

Internal Control

- a) Consider the effectiveness of the Company's internal control system, including information technology security and control.
- b) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

Internal Audit

- a) Review and approve the internal audit charter.
- b) Review and approve the adequacy of the internal audit plans, scope of examination and internal audit reports for CMS and its subsidiaries issued by Group Internal Audit and any external parties on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- c) Review the adequacy and effectiveness of appropriate actions taken by Management in respect of the audit findings and the Committee's recommendations.

- d) Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- e) Review the appraisal of the performance of the internal audit staff, and set and/or review the KPI and Management Performance Appraisal of the Group Internal Auditor.
- f) Review the results of internal self-assessment performed by the internal audit function and Management's feedback on the quality of internal audit services rendered.
- g) Assess the competency of the internal audit staff and adequacy of resources to achieve the scope as outlined in the annual audit plan.
- h) Review and approve the annual training budget including any acquisition of Audit Management Software/Tools which enhance the performance of the Internal Audit Department.
- i) Approval of appointment or termination of the Group Internal Auditor and to ensure that the Group Internal Audit function has an independent status within the CMS Group.
- j) Ensure that Group Internal Auditor is a member of a professional body, qualified and has internal audit experience and received relevant training for executing the function.
- k) Direct any special investigations on the CMS Group's operations to be carried out by the Internal Audit Department or any other appropriate agencies.
- l) Discuss problems and reservations arising out of internal audits and any matters in the absence of Management or the Executive Directors of the CMS Group.

External Audit

- a) Conduct formal assessment of the external auditor's performance, independence and objectivity to assess the suitability and independence of external auditors before recommending to the Board the appointment or reappointment of the external auditors of the Group. The assessments to be covered are:-
 - Suitability of the firm (adequacy of experience and resources);
 - Quality Process/Performance (audit judgement, risks including fraud risk assessment, reporting process, understanding of key issues, transparency in communication);
 - Audit Team Competency (Senior personnel involvement, staff expertise);
 - The Size and Complexity of the listed issuer's Group being audited;
 - Independence & Objectivity (compliance to By-Laws on professional independence of Malaysian Institute of Accountants, partner rotation, non-audit services rendered and approvals);
 - Audit Scope and Planning;
 - The Accounting firm's audit engagements;
 - Fees (compared to organizations of similar size and operation, fees in relation to overall external audit firm's income and limit of non-audit fee size); and

- Communications (timeliness and transparency).
- b) Review the Audit Engagement Letter to note the audit scope, timelines and how key risks (e.g. fraud risk) are factored into their plan including written assurance of independence and objectivity.
 - c) Review the audit plan with the external auditors and their evaluation of the system of internal controls.
 - d) Review the external auditor's report and findings arising from audits including the comments and responses in management letters.
 - e) Review the assistance given by the Group's officers to the external auditors.
 - f) Notation of new and revised Auditing Standards on external auditor reporting.
 - g) Hold meetings with the external auditor without the presence of the Executive Management to reinforce the independence of the external audit function.
 - h) Upon satisfactory assessment of the suitability of services rendered by external auditor and review of the reasonableness of the proposed audit fees to recommend to the Board the audit fee payable. The Committee is also to ensure that the fee is sufficient to enable a quality audit to be conducted.
 - i) Review any letter of resignation from the external auditors of the CMS Group.
 - j) Whether there is any reason (supported by grounds) to believe that the external auditor is not suitable for reappointment; and recommend the nomination of a person or persons as external auditors.

Risk Management

- a) Review and recommend the Statement on Risk Management and Internal Control for Board's approval before inclusion in the Company's Annual Report.

Related Party Transactions and Conflict of Interest Situations

- a) Review, on a quarterly basis, any Related Party Transactions and conflict of interest situations that may arise within the Group, ensuring all related party transactions are taken on arm's length basis and on normal commercial terms not prejudicial to the interest of the Company or its minority shareholders and are consistent with the Company's procedures.
- b) Review the Statement of Related Party Transactions and Procedures and the estimated recurrent related party transaction mandate for the year and recommend to the Board to seek shareholders mandate at a general meeting of the Company.
- c) Approve and recommend to the Board the announcement of any Related Party Transaction with percentage ratio of 0.25% or more with the value of RM 500,000 or more as prescribed under Part E Chapter 10 of the Main Market Listing Requirements

of Bursa Securities (“MMLR”). Where the percentage ratio of the Related Party Transaction is 5% or more, the Company shall also issue a Circular to Shareholders, seek Shareholders’ approval for the transaction at a general meeting and appoint an independent adviser as prescribed under the MMLR. Further, where the percentage ratio is 25% or more, the Company shall also appoint a main adviser, who is a Principal Adviser, as prescribed under the MMLR.

Other Responsibilities

- a) Review of major litigation, claims and/or issues that may have substantial financial impact.
- b) Review the allocation of options pursuant to the Company’s share issuance scheme at the end of each financial year.
- c) Perform self-assessment on a periodic basis to evaluate the Committee’s effectiveness in meeting their overall responsibilities.
- d) Review disclosure statements on the Statement of Corporate Governance, Audit Committee Report and Statement on Risk Management and Internal Control for each financial year before inclusion in the Annual Report and recommend their adoption by the Board.
- e) Assess, review, update and recommend any changes to its terms of reference to the Board of Directors for approval pursuant to changes to the relevant regulatory requirements or when there are changes to the direction and/or strategies of the Company that may affect the Committee’s role.
- f) Perform other related duties as may be agreed by the Committee and the Board of Directors.

4. Powers of the Committee

The Committee, in accordance with a procedure determined by the Board of Directors and at the cost of the Company, shall:

- 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 unrestricted access to any information records, properties and personnel pertaining to the CMS 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 independent professional or other advice; 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.

Where the 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 Main Market Listing Requirements of Bursa Securities, the Committee is also required to promptly report such matter to Bursa Securities.

Revised TOR approved by the Board on 25 November 2020.

TOR approvals:

BOD 27 March 1995

Revised 189th BOD 1 April 2011

Revised 196th BOD 3 April 2012

Revised 205th BOD 26 February 2014

Revised 220th BOD 30 November 2016

Revised 226th BOD 29 November 2017

Revised 232nd BOD 24 August 2018

Revised 234th BOD 26 February 2019

Revised 248th BOD 25 November 2020