



AUDIT AND COMPLIANCE COMMITTEE

TERMS OF REFERENCE

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

1. PURPOSE

- 1.1 The purpose of the ACC is to assist the Board of Directors (“Board”) in ensuring that there is robust oversight on financial reporting, external audit, internal audit and compliance matters concerning Chemical Company of Malaysia Berhad (“CCMB” or the “Company”) and its subsidiaries (collectively referred to as the “Group”).
- 1.2 In the exercise of its functions, it is understood that the ACC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the ACC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.

2. COMPOSITION

2.1 Size

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

2.2 Membership

- (a) All the Committee members shall be Non-Executive Directors with the majority being independent *(paragraph 15.09 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad)*.
- (b) At least one member of the Committee:
- must be a member of the Malaysian Institute of Accountants (“MIA”);
 - or
 - if not a member of MIA:

- he or she must have at least three years of working experience; and
 - he or she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or she must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by the Exchange¹.

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

- (c) 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]*.

2.3 Chairman of the Committee

- (a) The Chairman of the ACC shall not be the Chairman of the Board (*Practice 8.1, Malaysian Code on Corporate Governance*); and
- (b) The members of the Committee must elect a Chairman among themselves who is an Independent Director (*paragraph 15.10 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*).

2.4 Secretary of the committee

- (a) The secretary of the Committee (“Secretary”) shall be the Company Secretary.

3. APPOINTMENT OF MEMBERS

- 3.1 The Nomination and Remuneration Committee (“NRC”) in consultation with the ACC shall recommend the appointment of ACC members to the Board;

- 3.2 Members shall be appointed based on their ability to devote time, character, integrity, competence and experience relevant to their duties of the ACC. 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 ACC including the financial reporting process (*Practice 8.5, Malaysian Code on Corporate Governance*);

¹ A degree/masters/doctorate in accounting or finance and at least 3 years’ post-qualification experience in accounting or finance or a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants or at least 7 years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation (*paragraph 7.1, Practice Note 13, Main Market Listing Requirements by Bursa Malaysia Securities Berhad*).

- 3.3 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*);
- 3.4 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 ACC, as outlined in the Company's Policy on External Auditor;
- 3.5 The members serving the Committee shall be refreshed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time and the change does not affect the composition in terms of compliance with legislative promulgations, such change of members shall be done on a progressive basis; and
- 3.6 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*).

4. PERFORMANCE EVALUATION

- 4.1 The effectiveness of the ACC as a Board Committee (including skills mix and contribution of members) and the term of office shall be assessed annually by the NRC (*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 a self and peer rating assessment model and the NRC shall discuss the outcome of the assessment with the Chairman of the ACC, prior to the Board deliberation.

5. DUTIES OF THE CHAIRMAN OF THE COMMITTEE

- 5.1 The key duties of the ACC 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 ACC meetings;
 - (c) Ensure that the ACC 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.

5.2 The Chairman of ACC 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)

6. DUTIES OF THE COMMITTEE

Subject to any resolution of the Board, the duties of the Committee are:

6.1 To carry out the following, in relation to **the financial reporting process**:

- (a) Review and report the same to the Board the quarterly and year-end financial statements, before the approval by the Board, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - 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
 - compliance with accounting standards and other legal requirements.

[paragraph 15.12(1)(g) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad].

6.2 To carry out the following, in relation to the **external audit function**:

- (a) Consider and recommend to the Board on the nomination, appointment, termination of the external auditor, as well as the external auditor's remuneration, in line with the Company's Policy on External Auditor;
- (b) Assess annually the suitability, objectivity and independence of the external auditor, in line with the Company's Policy on External Auditor;
- (c) Discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (d) Review and report the same to the Board, along with the external auditors, the audit plan, evaluation of the system of internal controls and the audit report. The Committee shall also report to the Board on the assistance given by the employees to the external auditors. *[paragraphs 15.12(1)(a)-(e) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad]*;
- (e) Discuss problems and reservations arising from the interim and final audits, and any matter that the external auditor may wish to discuss (in the absence of management where necessary);
- (f) Review the external auditor's management letter and management's response;
- (g) 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)*;
- (h) Recommend to the Board on the extent and nature of non-audit services 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; and
- (i) Review and recommend the remuneration of the external auditor, in line with the Group's Policy on External Auditor.

6.3 To carry out the following, in relation to the **internal audit function**:

- (a) Review and approve the annual internal audit plan;
- (b) Review the adequacy of the scope, functions, competency and resources of internal audit function and that it has the necessary authority to carry out its work *[paragraph 15.12(1)(e) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad]*;
- (c) Review and endorse the internal audit charter which outlines the purpose, authority and responsibility of the Group Risk, Integrity and Audit Department;

- (d) Review the internal audit plan, processes, the results of the internal audit plan, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function *[paragraph 15.12(1)(f) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad]*;
- (e) Review and approve the annual budget for Group Risk, Integrity and Audit Department;
- (f) Review and approve any appraisal on performance as well as competency of the Group Risk, Integrity and Audit Department;
- (g) Approve any appointment or termination of senior staff members of the Group Risk, Integrity and Audit Department; and
- (h) Take cognisance of resignations of staff/members of the Group Risk, Integrity and Audit Department and provide the resigning staff/members an opportunity to submit his reasons for resigning.

6.4 To carry out the following, in relation to the **compliance function** of the Group:

- (a) 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]*;
- (b) Review annually:
 - the Group's business ethics and integrity policies and to make recommendations to the Board thereon; and
 - the Group's business ethics and integrity processes and practices.
- (c) Monitor the Group's compliance with environmental, safety and health regulations and other legislations such as the Malaysian Anti-Corruption Commission Act 2009, Competition Act 2010, Whistleblower Protection Act 2010, Witness Protection Act 2009 and Personal Data Protection Act 2010;
- (d) Ensure that the Group's communication and training programmes on ethics and business integrity are effective in reinforcing ethical values and further enhance good corporate governance;
- (e) Monitor the responses to the Group's whistleblowing line and other mechanisms used to raise concerns, and to oversee actions following breaches of the ethics and business integrity policy or allegations of misconduct;
- (f) Review the major findings of internal investigations and Management's response and recommend the rectifications needed;

- (g) Review the policies and practices of the Group in respect of business ethics and integrity in relation to the commencement of operations in any new country or territory in which the Group has not previously operated; and
- (h) Review and recommend to the Board, compliance with particular best practice guidance or codes in relation to business ethics, integrity and compliance.

6.5 The Committee shall also consider other matters referred to the Committee by the Board.

7. MEETINGS

7.1 Meeting frequencies and calling of meetings

- (a) Meetings shall be held no less than five (5) times a year, or as frequently as the circumstances dictate;
- (b) Additional meetings shall be scheduled as considered necessary by the Committee or Chairman of the ACC. The Chairman of the Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee;
- (c) 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
- (d) The Committee shall meet with the external auditors, the internal auditors or both, in the absence of other Directors or employees of the Company at least twice a year or whenever deemed necessary.

7.2 Quorum and participation

- (a) The quorum for the meetings of the Committee shall be 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*);
- (b) In the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can appoint a Chairman among themselves to chair the meeting;
- (c) Each individual Committee member shall attend at least 50% of the Committee meetings held during the financial year;
- (d) The Managing Director, the Finance Director and the Chief Internal Auditor shall normally be invited to attend the meeting;

- (e) The Committee may request other Directors, members of Management, counsels or consultants to attend the Committee meetings by invitation if necessary;
- (f) The Committee shall ensure that other Directors and employees attend any particular ACC 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
- (g) 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.

7.3 Notice on meetings and information flow

- (a) Notice of the Committee's meeting shall be sent to all members in a timely manner, which should include the date, time, venue and the agenda of the meeting (*Paragraph 4- notice on meetings, Third Schedule of Companies Act 2016*);
- (b) The ACC meeting agendas shall be developed by the Chairman of the ACC and the Secretary in consultation with Management; and
- (c) The Chairman of the Committee together with the Secretary shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated at least five (5) business days before each meeting to the Committee members and all those who are invited to attend the meeting, where applicable (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*).

7.4 Voting

- (a) 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 of the meeting has the casting vote. A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in the voting process.

7.5 Meeting minutes

- (a) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee (*Paragraph 13, Third Schedule of Companies Act 2016*);
- (b) The minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive and contemporaneous evidence without any further proof of the facts thereon stated;

- (c) All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made as well as abstention of the members (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretary with the approval of the ACC Chairman.

7.6 Reporting and disclosure

- (a) The reports and minutes of each Committee meetings shall be tabled and presented to the Board during the subsequent Board meeting to keep them informed and updated on the key issues deliberated by the Committee, clearly demonstrating the Committee's decisions which necessitate Board's approval or ratification.
- (b) The ACC shall oversee the preparation of the Committee's Report in accordance with paragraph 15.13 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad.

8. AUTHORITY

8.1 The ACC 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) to have authority to investigate any matter within its Terms of Reference;
- (b) to engage the necessary resources required to carry out its duties and to obtain independent professional or other advice it considers necessary;
- (c) to have full and unlimited access to any information and documents pertaining to the Group;
- (d) to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity; and
- (e) to 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 including the Executive Director(s) and employees of the Company (with the exception of the Company Secretary) , whenever deemed necessary.

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

9. REVIEW AND AMENDMENTS OF THE TERMS OF REFERENCE

- 9.1 This Terms of Reference has been approved by the Board. The Board shall review this Terms of Reference periodically and make amendments when necessary; and
- 9.2 The Secretary of the Committee shall ensure that the provisions of this Terms of Reference continue to comply with legal requirements and corporate governance enumerations applicable to the Group and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.

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