



# AUDIT COMMITTEE

## TERMS OF REFERENCE

KAREX BERHAD (201201034091 (1018579-U))  
(Incorporated in Malaysia)



**1. Composition of the Committee**

- a. The Committee is appointed by the Board from amongst their numbers and shall consists of at least three members. All the Committee members must be non-executive directors, with a majority of them being independent directors.
- b. The members of the Audit Committee shall elect a Chairman among themselves who is an independent non-executive director and shall not be the Chairman of the Board. The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal auditor and the external auditors in order to be kept informed of matters affecting the Company.
- c. At least one (1) member:
  - 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 three years of working experiences and:
    - He must have passed the examination specified in Part 1 of the 1st Schedule of the Accountant Act 1967; or
    - He 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
  - Fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- d. No alternate director shall be appointed as a member of the Committee.
- e. Any former key audit partner shall observe a cooling off period of at least 3 years before being appointed as a member of Audit Committee.
- f. The term of office and performance of the Committee and each of its members shall be reviewed by the Board via Nominating Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- g. In the event of any vacancy in the Committee resulting in the non-compliance of items 1(a), 1(b) and 1(c), the Company must fill the vacancy within three (3) months.

**2. Quorum and Frequency of Meeting**

- a) The quorum for any meeting of the Committee shall consist of not less than two (2) members comprising majority of Independent non-executive Directors.
- b) The Committee meetings shall be conducted at least four (4) times annually, usually preceding the meetings of the Board, or more frequently as circumstances dictate.
- c) The external auditors and internal auditors may request a meeting if they consider it necessary in any Committee meeting.
- d) The Committee shall meet with the external auditors and internal auditors without any Non-Independent member or the Management present, whenever deemed necessary.
- e) The Chief Executive Officer and the Chief Financial Officer shall attend the quarterly meetings although they do not have any voting rights.
- f) The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

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- g) The Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- h) If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the members by notice to the other members appoint.
- i) All decisions at such meeting shall be decided on a show of hands on a majority of votes. The Chairman shall have a casting vote.

### **3. Secretary of the Committee**

The Company Secretary or her nominee shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary or her nominee shall be in attendance at each Committee meeting and record the proceedings of the meeting thereat and minute the resolutions.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office of the Company.

### **4. Rights of the Committee**

The Committee shall:-

- (a) have full and unrestricted access to any information pertaining to the Group;
- (b) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the Committee meetings (if required) and to brief the Committee at the Company's expense;
- (c) The Committee is authorised to pass resolutions in writing by circular provided always that such resolution(s) shall be executed by all members. Any such resolution(s) may consist of several documents in like form, each signed by one or more members of the Committee;
- (d) The Committee is authorised to have direct communication channels with the external auditors and internal auditors; and
- (e) have the right to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive board members, Management or employees of the Company, whenever deemed necessary.

The Committee shall promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the listing requirements.

## **5. Duties and Responsibilities of the Committee**

The following are the main duties and responsibilities of the Committee, and where appropriate, your Committee reports to your Board on the following:

### **a. Risk Management & Internal Control**

- i. Review the adequacy of and to provide independent assurance to the Board on the effectiveness of the Company's risk management and risk assurance process.
- ii. Evaluate the quality and effectiveness of the Company's Internal Control system and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.
- iii. Recommend to the Board the Directors' Statement on Internal Control and any changes to the said Statement.
- iv. Assist the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.

### **b. Financial Reporting**

- i. Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Malaysia Securities Berhad, focusing particularly on:
  - Any changes in or implementation of accounting policies and practices;
  - Significant or material adjustments with financial impact arising from the audit;
  - Significant unusual events or exceptional activities;
  - Financial decision-making with the presumptions of significant judgments;
  - The going concern assumptions; and
  - The appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards, stock exchange and other regulatory requirements.
- ii. Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.

### **c. External Audit**

- i. Recommend the appointment or re-appointment of the external auditors and audit fee to the Board, after assessing the suitability, resources, competency and independence of external auditors and the accounting firm.
- ii. Make appropriate recommendations to your Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- iii. Review and discuss with the external auditors, the nature and scope of the audit strategy and plan for the year, audit areas and audit status report of the Group.
- iv. Review and discuss with the external auditors, their evaluation of the system of internal controls.

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- v. Discuss problems and reservations arising from external auditors' interim and final audit, and any other matters the external auditors may wish to discuss in the absence of Management, if required and to review the external auditors' findings arising from audit particularly comments and responses in management letters as well as assistance given by the employees of the group to the external auditors.

### **d. Internal Audit**

- i. Review the adequacy of the scope, functions, competency, resources and authority of the internal audit function in carrying out its work.
- ii. Review the risk-based internal audit plans and programmes.
- iii. Ensure co-ordination between the internal and external auditors.
- iv. Review the major findings reported by the internal auditors, investigation undertaken and follow up on Management's implementation of the recommended actions.
- v. Annually assess performance of services provided by the internal audit function.

### **e. Conflict of Interest Situations and Significant Related Party Transactions**

Review and recommend to the Board matters regarding Significant Related Party Transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Company, including any transaction, procedure or course of conduct that raises questions on management integrity.

### **f. Whistleblowing and fraud**

- i. Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and review the company's procedures for detecting fraud.
- ii. Cultivated the awareness of the employees and ensured the whistleblower could report directly to the AC on any possible wrongdoings or fraud detected.

### **g. Overseeing the Governance Practices in the Group**

- i. Review and issued the AC Report for inclusion in the Annual Report;
- ii. Review the Statement on Risk Management and Internal Control and Statement on Corporate Governance to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.
- iii. Review the minutes of meetings of the AC.
- iv. Review the revised Terms of Reference of the AC.

**h. Reporting Responsibilities**

- (a) Report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) Make recommendations to the Board as and when it deems appropriate on any area within its remit where action or improvement is needed

**i. Other Matters**

- a) Verify the allocation of options pursuant to a share scheme for employees to ensure in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.
- b) Report to Bursa Malaysia Securities Berhad, if there is any related party transaction which exceeded the Shareholders' Mandate and provide full reasoning and detailed explanations.

These Terms of Reference were reviewed and approved by the Audit Committee and Board of Directors on 11 October 2022.