

SUPERMAX CORPORATION BERHAD

AUDIT COMMITTEE

TERMS OF REFERENCE

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**SUPERMAX CORPORATION BERHAD**  
**Company No.: 199701004909 (420405-P)**  
**(Incorporated in Malaysia)**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1. Introduction**

The Audit Committee is a committee of the Board of Directors of Supermax Corporation Berhad.

**2. Function**

The function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. The Committee will review the Supermax Group's financial reporting process, the system of internal controls and management of enterprise risk, the audit process, and the Group's process of monitoring compliance with law and regulations and its own code of business conduct, as well as such other matters, which may specifically be delegated to the Committee by the Board, from time to time.

**3. Composition of members**

The Board shall appoint the Audit Committee members from among themselves, comprising not fewer than three (3) members. All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors.

The Audit Committee has a policy that requires all former audit partners of the external audit firm of the Company to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory service, tax consulting, etc).

At least one (1) member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

- (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

All members shall be financially literate, have sufficient understanding of the Group's business and they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Chairman of the Board must not be a member of the Audit Committee.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board, via Nomination Committee, annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

#### Retirement and resignation

If a member of the Audit Committee retires, resigns, dies, or for any reason ceases to be a member resulting in non-compliance with the composition criteria as stated in paragraph 3 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy. Therefore, a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before the Director leaves.

#### **4. Chairman**

The members of the Audit Committee shall elect a Chairman among themselves who is an Independent Non-Executive Director. The Chairman of the Audit Committee is not the Chairman of the Board.

In the absence of the Chairman of the Audit Committee in a meeting or if he/she is not present at any Audit Committee meeting within fifteen (15) minutes of the time appointed for holding the same, the other members of the Audit Committee present shall elect one (1) of their numbers who shall be an Independent Non-Executive Director to chair the meeting.

#### **5. Secretary**

The Group Internal Auditor (GIA) shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Audit Committee.

#### **6. Meetings and Written Resolution**

The Audit Committee shall meet at least four (4) times a year, on quarterly basis, or more frequently as circumstances may dictate. The Chairman may call for additional meetings at any time at the Chairman's discretion or if a request is made by any of the Audit Committee members, Executive Chairman or Chief Executive Officer.

Upon the request of the internal or external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the internal or external auditors believes should be brought to the attention of the Board of Directors or shareholders.

Notice of Audit Committee meeting and meeting materials shall be given to all the Audit Committee members and other relevant parties at least five (5) business days, or a shorter period where unavoidable, prior to the meeting.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer, the Head of Internal Audit and representative(s) of the external auditors (if required) should normally attend meetings. Other Board members, senior management and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members or employees present at least twice a year and whenever necessary. In addition, senior management, the Internal and the external auditors may request for a private session with the Audit Committee to discuss any matter of concern.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote. The Chairman shall not have a second or casting vote when only two (2) members (one of whom is the Chairman) form a quorum or when only two (2) members are competent to vote on the question at issue.

An Audit Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Audit Committee members as a whole to participate for the entire duration of the meeting. The technology used for the purpose of this paragraph must be such that each Audit Committee member taking part in the meeting must be able to communicate simultaneously with each of the other Audit Committee members taking part in the meeting and may include telephone, television, video conferencing or any other audio and/or visual device which permits instantaneous communication.

A virtual meeting shall be deemed to constitute an Audit Committee meeting provided that the following are met:-

- (i) all the Audit Committee members for the time being entitled to receive notice of the Audit Committee meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted under the Constitution of the Company; and
- (ii) an Audit Committee member shall not leave the meeting by disconnecting from the technology used unless he/she has notified the Chairman of the meeting of his/her intention to leave the meeting and an Audit Committee member shall be presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his/her leaving the meeting.

The Chairman shall report to the Board on its proceedings after each AC meeting on all matters within the AC's duties and responsibilities.

#### Written Resolution

A resolution in writing signed by a majority of the Audit Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. The execution and transmission of the written resolution by electronic means allowed under the Constitution of the Company shall apply to the written resolution of the Audit Committee.

## **7. Minutes**

Minutes of each meeting shall be kept at the SCB Corporate Office and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

## **8. Quorum**

In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be Independent Non-Executive Directors.

## **9. Objectives**

The principal objectives of the Audit Committee is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company.

In addition, the Audit Committee shall:-

- (a) evaluate the quality and effectiveness of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

## **10. Authority**

The Audit Committee shall, in accordance with a procedure or process to be determined by the Board and at the expense of the Company:

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unrestricted access to all information and documents/resources pertaining to the Group, which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) Obtain independent professional or other advice and to invite outsiders with relevant experience to attend the Audit Committee meetings (if required) and to brief the Audit Committee.
- (d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity.

- (e) 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 Group and Company whenever deemed necessary.
- (f) where the Audit Committee is of the view that the 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 Audit Committee shall promptly report such matter to Bursa Securities.

## **11. Duties and Responsibilities**

The duties and responsibilities of the Audit Committee shall include the following:-

- (a) To review and establish policies and procedures to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of audited financial statements;
- (b) To review and consider the nomination, appointment and re-appointment of the external auditors, the audit fee and any question of resignation or dismissal, including whether there is any reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment. This includes carrying out an annual assessment and review of the performance, suitability and independence of the external auditors via an External Auditors Assessment Policy;
- (c) To review the adequacy of the scope, functions and resources of the external auditors and ensure that it has the necessary authority to carry out its work;
- (d) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;
- (e) To review with the external auditors on its evaluation of the system of internal controls, audit plan (including any changes to the scope of the audit plan), audit report and assistance given by the management and employees of the Company to the external auditors, including any difficulties or disputes with management and employees encountered during the audit;
- (f) To review with the external auditors, the management letter and Management's responses including the status of previous audit recommendations;
- (g) To review the quarterly and year-end financial statements of the Company, prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
  - compliance with applicable accounting standards and other legal requirements;
- (h) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary);
- (i) To review and provide advice on whether the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance;

- (j) To ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, particularly where there are significant matters requiring judgement;
- (k) To review and approve the non-audit services provided by the external auditors and/or its affiliate firms to the Group, including the nature of the non-audit services, fees of the non-audit services, individually and in aggregate, relative to the external audit fees; and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- (l) To review the system of internal controls including financial, operational, compliance and information technology controls;
- (m) To carry out the following, in relation to the internal audit function:-
  - annually review the adequacy of the scope, functions, competency and resources of the internal audit function (including the name and qualification of the person responsible for the internal audit function), and that it has the necessary authority to carry out its work;
  - review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - review whether the internal audit function is carried out in accordance with a recognized framework;
  - ensure the internal audit function personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
  - ensure the internal audit function is independent of the activities it audits and reports directly to the Audit Committee;
  - take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for outsourced internal audit function) and providing the resigning staff member or the internal audit service provider an opportunity to submit the reasons for resigning;
- (n) To review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (o) To oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
- (p) To report its findings on the financial and management performance, and other material matters to the Board;

- (q) To consider the major findings of internal investigations and management's response therewith;
- (r) To oversee the implementation and effectiveness of the whistleblowing policy and procedures of the Company;
- (s) To review the Company's systems and controls on prevention of bribery and corruption and receive reports on findings and recommendations for improvement from the internal audit function;
- (t) To review the Annual Statement on Risk Management and Internal Control to be published in the Annual Report; and
- (u) To consider and examine such other matters as the Audit Committee considers appropriate or as prescribed by the Board.

### **13. Review of the Written Terms of Reference**

Any amendment to these terms of reference can only be approved by the Board. These terms of references will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Audit Committee's responsibilities.

The written terms of references should be made public in the Company's website.

*Last reviewed: (25.5.2022)*