



A member of **UEM Group**

UEM EDGENTA BERHAD

(5067-M)

(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE

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AUDIT AND RISK COMMITTEE

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AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1.0 OBJECTIVES OF THE AUDIT AND RISK COMMITTEE

The objective of the Audit and Risk Committee ("the Committee") is to assist the Board of Directors ("the Board") of UEM Edgenta Berhad ("UEM Edgenta" or "Company") in discharging its oversight responsibilities by reviewing the integrity and adequacy of the Company's and its subsidiary companies' ("Group") internal controls, financial reporting process, risk management and management information systems, including related party transactions and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Committee shall reinforce the independence of the external auditors, assure that they will have free rein in the audit process and provide a line of communication between the Board and the external auditors.

The Committee shall enhance the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is independent of the management. The quality of the audits conducted by the internal and external auditors of the Company shall be reviewed by the Committee.

The Committee shall encourage high standards of corporate disclosure and transparency. The Committee will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to the Company's shareholders.

2.0 COMPOSITION OF THE AUDIT AND RISK COMMITTEE

2.1 Members

The Committee shall be appointed by the Board of Directors from amongst their numbers, which fulfils the following requirements:

- i. The Committee must comprise at least three (3) directors.
- ii. All members of the Committee must be Non-Executive Directors, a majority of whom must be Independent Directors.

- iii. At least one member of the Committee must be a member of an accounting association or body or possesses such other qualifications and experience as approved by Bursa Malaysia Securities Berhad.
- iv. No alternate director shall be appointed as a member of the Committee.
- v. In the event of any vacancy in the Committee, the Board must fill the vacancy within 3 months.

The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director. All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of UEM Edgenta.

2.2 Secretary

The Company Secretary of UEM Edgenta and/or his/her representative shall be the Secretary of the Committee.

2.3 Review and Assessment

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

3.0 DUTIES AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The following are the main duties and responsibilities of the Committee collectively:

Corporate Financial Reporting

- i. Review the quarterly interim results and annual financial statements of the Company and the Group prior to approval by the Board, focusing particularly on:
 - Any significant changes in accounting policies and practices and its implementation.
 - Significant adjustments arising from the audit.
 - The going concern assumption.

- Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed.
 - Compliance with accounting and financial reporting standards and other legal requirements.
- ii. Review with the external auditors, without the presence of Management on any audit concerns or issues on scope audited, the results of the audit, including required access to information and document for audit and the level of cooperation rendered by management.
 - iii. Review the Audit Committee Report, Statement on Risk Management and Internal Control and Statement on Corporate Governance to be included in the annual report and recommend for their approval by the Board.

Risk Management

- i. Assist the Board in the review and assessment of the principal risks in the achievement of the Company's objectives and overseeing the implementation of appropriate systems/processes to manage these risks.
- ii. Review and recommend the risk management framework, policies and procedures for the approval and acknowledgement of the Board and provide guidance on the overall risk management strategy and directives for implementation to ensure principles and requirements of managing risk are consistently adopted throughout the Group.
- iii. Review periodically the risk management framework, risk profile and risk appetite to ensure they are relevant and consistent with Group's business strategy and level of operations in safeguarding the Group's assets and profitability.
- iv. Commission, where required, relevant experts for special projects to investigate, develop or report on specific aspects of the risk management processes of the Company.

Internal Controls

- i. Oversee the Company's internal controls structure to assure operational effectiveness and efficiency, reduce the risk of unreliable financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.

- ii. Monitor systems and procedures, with external and internal auditors, which are designed to provide a satisfactory and effective level of internal controls in asset protection and management information.
- iii. Monitor the Group's operations via appropriate internal audit reviews, to ascertain if adequate attention is given to attributes of efficiency, effectiveness and economy.
- iv. Assist the Board in setting appropriate policies on internal control system and ensure that the system is functioning adequately and that its integrity is maintained in managing the risks of the Company and companies within the Group.

Internal Audit

- i. Review the adequacy of the scope, functions, competency and resources of the Internal Audit function and that it has appropriate standing within UEM Edgenta and its subsidiary companies to undertake its activities independently and objectively, including but not limited to the following:
 - Reviewing and approving the Annual Internal Audit Plan and ensuring adequate risk and governance coverage;
 - Reviewing the results of the internal audit process and where necessary ensuring that appropriate actions are taken on the recommendations of the internal auditors;
 - Reviewing the overall performance of the Internal Audit function to ensure its effectiveness in meeting the audit objectives and professional standards;
 - Approving any appointment or termination of the party that provides the internal audit function; and
 - Taking cognisance of resignations of senior internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.

- ii. Ensure that the Internal Audit Function is independent of the activities it audits and the head of internal audit reports directly to the Committee. The head of internal audit should have the relevant qualifications and experience in discharging his/her responsibility to provide assurance to the Committee that the group's internal controls, governance processes and risk management are operating effectively.

External Audit

- i. Recommend to the Board on the appointment or annual re-appointment of external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit. Among others, the following are to be considered: -
 - 1. The reputation, experience and available resources of the accounting firm to serve the Group;
 - 2. The audit team to be assigned; and
 - 3. The size and complexity of UEM Edgenta and Group being audited.

The Audit Committee in considering the reappointment of external auditors, assess their audit performance as follows: -

- 1. The ability to meet timelines in providing services and responding to issues in a timely manner as contemplated in the external audit plan; and
 - 2. The ability to exercise objective judgement and maintain independence and professionalism in their audit executions in providing feedback to assist the Group in enhancing internal control.
- ii. The Audit Committee is to review and recommend the appointment of external auditors to carry out non-audit services. Considerations for such appointment include the following:
 - 1. The nature of the non-audit services by the external auditors or its affiliates and fees paid for such services relative to the audit fee;
 - 2. The scope of work as required are permitted under the Malaysian Institute of Accountants By-Laws.
 - 3. The services should not impair their audit independence or there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.

For avoidance of doubt, non-audit services include, among other services, the following:

1. Accounting consultations related to accounting, financial reporting or disclosure matters not otherwise classified as "audit services";
2. Assisting with understanding and implementing new accounting and reporting guidance from rulemaking authorities;
3. Financial audits of employee benefit plans;
4. Agreeing upon expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters;
5. Reviewing profit forecast, proforma balance sheet and Accountant's Report in relation to capital market transactions or corporate exercises;
6. Reviewing Interim Audit; and
7. Taxation Services.

All proposals to engage the external auditors to provide the above non-audit services are to be submitted by the Chief Financial Officer [in consultation with the Managing Director/Chief Executive Officer] to the Committee and the external auditor to submit a statement indicating that the performance of such services is consistent with prevailing rules and regulations on auditor independence.

In the event that the non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (e.g. 50% of the total amount of audit fees paid to the Company's External Auditors), the Company is required to state the details on the nature of non-audit services rendered in the Audit Committee Report.

- iii. Review with the external auditors before the audit commences, the understanding of the Audit Engagement Letter, the nature and scope of the audit as well as audit plan including co-ordination where more than one audit firm is involved.
- iv. Discuss matters of significance or audit reservations arising from the interim and final audits and any matter the auditors may wish to discuss in the absence of the management where necessary.
- v. Review the management representation letter to the external auditors.
- vi. Review the auditors report with the external auditors to consider the audit opinion and key audit matters contained therein.

- vii. Review with the external auditors, their management letter and management's responses to their findings and recommendations.
- viii. Review with the external auditors their scope of engagement and their report on Directors Statement on Risk Management and Internal Control to be issued to the Board.
- ix. Review with the External Auditors, letter of resignation or letter indicating their intention not to seek reappointment.

Others

- i. Review any related party transaction and conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity (including recurrent related party transaction).
- ii. Examine and commission appropriate investigation on instances and matters, including disclosures from whistle blower that may have compromised the principles of corporate governance and the Group's code of conduct or ethics policy.
- iii. Consider other matters as defined by the Board.

4.0 POWERS OF THE AUDIT AND RISK COMMITTEE

In carrying out its duties and responsibilities, the Committee will have the following rights:

- i. Explicit authority to investigate any matter within its terms of reference and to appoint such independent experts or investigator(s), as appropriate.
- ii. The resources that are required to perform its duties.
- iii. Full, free and unrestricted access to any information, records, properties and personnel of UEM Edgenta Berhad and of any other company within its Group.
- iv. Direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- v. Be able to obtain independent professional or other advice and to invite outsiders with relevant expertise to attend the Committee's meetings (if required) and to brief the Committee.

- vi. Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The attendance of any particular Committee meeting by other Directors and employees of the Company shall be at the Committee's invitation and discretion, and must be specific to the relevant meeting.

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 Bursa Malaysia Securities Berhad Listing Requirements, the Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

5.0 AUDIT AND RISK COMMITTEE MEETINGS

- i. The Committee will meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Committee Chairman.
- ii. The quorum for each meeting shall consist of at least two (2) members, both of whom shall be Independent Directors.
- iii. Recommendations of the Committee are submitted to the Board for approval.
- iv. The Secretary of the Committee and/or their representatives shall be in attendance at all Audit Committee meetings and record the proceedings of the meeting thereat.
- v. Minutes of each meeting shall be kept as part of the statutory record of the Company upon adoption by the Committee.
- vi. A resolution in writing signed and approved by all the Committee members who may at the time be present in Malaysia and who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. All such resolutions shall be forwarded or otherwise delivered to the Secretaries of the Committee without delay and shall be recorded by them in the Company's Minute Book. Any such resolution may consist of several documents in like form each signed by one or more Committee members.

- vii. A meeting of the Committee may be held by means of telephone, videoconference or telephone conference or other telecommunication facilities, which permits all persons participating in the meeting to communicate with each other. A person so participating shall be deemed to be present in person at such meeting and shall be counted in a quorum and be entitled to vote.
- viii. The Managing Director and/or the Chief Executive Officer and/or other appropriate officer may be invited to attend where their presence are considered appropriate as determined by the Committee Chairman.
- ix. The internal and/or external auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend each Committee meeting.
- x. Upon the request of the auditor(s), the Committee Chairman shall also convene a meeting of the Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- xi. The Committee shall meet with external auditors without the presence of the executive board members and management at least twice a year, and whenever deemed necessary.

6.0 AUDIT AND RISK COMMITTEE REPORT

The Board is required to prepare an Audit and Risk Committee Report at the end of each financial year to be included and published in the annual report of the Company. The said report should include the following:

- i. The composition of the Committee including the name, designation (indicating the Chairman) and directorship of the Members (whether the Directors are non-executive, independent or otherwise) and the details of the relevant training attended by each director.
- ii. The number of Committee meetings held during the financial year and details of attendance of each Committee member.
- iii. A summary of the work carried out by the Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities.
- iv. A summary of the work of the Internal Audit function.

POSITION DESCRIPTIONS

7.0 CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

The following are the main duties and responsibilities of the Committee Chairman:

- i. Helps the Committee fulfil the goals it sets by assigning specific tasks to members of the Committee and identifies guidelines for the conduct of the members and ensures that each member is making a significant contribution.
- ii. Engages with the Secretary of the Committee on matters related to its Terms of Reference and its responsibilities under the rules and regulations to which it is subject to and how those responsibilities should be discharged. The compliance advice should extend to embrace all laws and regulations and not merely the routine filing requirements and other administrative requirements of the Companies Act, 1965.
- iii. Provides a reasonable time for discussion at the meeting. Organises and presents the agenda for regular or special Committee meetings based on input from members and ensures that all relevant issues are on the agenda. In addition, the Chairman should encourage debate on the issue before the Committee.
- iv. Provides leadership to the Committee and ensures proper flow of information to the Committee, reviewing the adequacy and timing of documentation.
- v. Secures good corporate governance and ensures that members look beyond their Committee function and accept their full share of responsibilities of governance materials in support of management's proposals.
- vi. Manages the processes and workings of the Committee and ensures that the Committee discharges its responsibilities in accordance with the Terms of Reference. Appropriate procedures may involve the Committee meeting on a regular basis without the presence of management.
- vii. Ensures that every Committee resolution is put to a vote to ensure that it is the will of the majority that prevails.
- viii. Engages on a continuous basis with senior management, such as the chairman, chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

8.0 AUDIT AND RISK COMMITTEE MEMBERS

Each Committee member will be expected to:

- i. Provide individual external independent opinions to the fact-finding, analysis and decision making process of the Committee, based on their experience and knowledge.
- ii. Consider viewpoints from the other Committee members; make decisions and recommendations for the best interest of the Board collectively.
- iii. Keep abreast of the latest corporate governance guidelines and best practices in relation to the Committee and the Board as a whole.