

## Terms of Reference of Audit Committee

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## Purpose

The Board Audit Committee is a committee of the Board of Directors of Scicom (MSC) Berhad established pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and the Malaysian Code on Corporate Governance (“MCCG”). This term of reference governs the processes of this committee and outlines its terms of conduct with respect to the MMLR and MCCG.

## Scope

This document applies to Scicom (MSC) Berhad (the “Company”) and its group of subsidiaries (“Group”).

## Definitions

Terms	Descriptions
AC/Committee	Audit Committee
Board	The Board of Directors of Scicom (MSC) Berhad
MCCG	Malaysian Code of Corporate Governance
MMLR	Main Market Listing Requirements of Bursa Malaysia Securities Berhad

## Policy

The Board strives to ensure that the requirements, principles, practices and guidance under the MMLR and MCCG are adhered to and adopted by the Group as to promote greater internalisation of good governance and culture of integrity. The objective of the AC is to assist the Board in discharging its roles and responsibilities as well as the following oversight function on the activities of the Group, in line with the Malaysian Code on Corporate Governance and MMLR:-

- (i) To oversee financial reporting process;
- (ii) To review related party transactions and conflict of interest situations;
- (iii) To evaluate the internal and external audit process, including issues pertaining to the system of internal control; and
- (iv) To look into matters related to whistle blowing incidents/events.

### 1. Composition

- (i) The Committee members shall be appointed by the Board amongst their members and shall consist of at least three (3) members, with a majority being Independent Directors. The Chairman of the Board shall not be a member of the Committee. All members of the Committee shall be non-executive directors;
- (ii) At least one member of the Committee shall be a member of the Malaysian Institute of Accountants or possess at least three (3) years’ working experience and has passed the examinations set out in Part I of the First Schedule of the Accountants Act 1967 or a member of one of the associations of accountants set out in Part II of the First Schedule of the Accountants Act 1967 or fulfills such other requirements as prescribed or approved by Bursa Securities;

- (iii) No Alternate Director shall be appointed as a member of the Committee;
- (iv) The Chairman of the Committee shall be appointed by the Board amongst its members and shall be an Independent Non-Executive Director;
- (v) In the event of any vacancy in the Committee resulting in the non-compliance with Paragraphs 15.09(1) and 15.10 of the MMLR (i.e. the requirements on the composition of the AC and Chairman of the Committee), the vacancy shall be filled within one (1) month of that event;
- (vi) A former key audit partner involved in the audit of the Group shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee; and
- (vii) The Nominating and Remuneration Committee must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

## 2. Duties and Responsibilities

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

### 2.1. Matters relating to External Audit and Financial Reporting

- (i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (ii) To set policies and procedures to assess the suitability, objectivity and independence of the external auditors;
- (iii) To review the nature, scope and quality of external audit plan/arrangements;
- (iv) To review quarterly and annual financial statements of the Company before recommending to the Board for approval, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, areas involving significant judgment, estimation or uncertainty in the Group's financial results, significant one-off transactions, unusual events or transactions, significant issues arising from the audit and how these matters are addressed;
- (v) To review the adequacy of disclosure of information essential for fair presentation of the financial affairs of the Company and the Group;
- (vi) To review the external auditors' audit report on the financial statements;
- (vii) To review any management letter sent by the external auditors and the Management's response to such letter;
- (viii) To review any letter of resignation from the external auditors;
- (ix) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment, as well as the nomination of person(s) as external auditors;

- (x) To review the adequacy of co-operation and assistance provided by the Company's employees to the external auditors;
- (xi) To discuss problems and reservations arising from the interim and final audits on any significant audit findings, reservations, difficulties encountered or material weakness reported; and
- (xii) To review the non-audit services provided by the external auditors and/or a firm or corporation affiliated to the external auditors to the Company for the financial year, including the nature of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence of the conduct of the external audit resulting from the non-audit services provided.

## **2.2. Matters relating to Internal Audit Function**

- (i) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (ii) To review the internal audit plan, processes, the results of the internal audit assessments and reports, investigations undertaken and where necessary ensure that appropriate actions are taken on the recommendation of the internal auditors;
- (iii) To review the adequacy and effectiveness of the internal control, anti-corruption, whistleblowing and governance processes;
- (iv) To review the follow up actions by the Management on the weakness of internal accounting procedures and controls;
- (v) To review the adequacy of co-operation and assistance provided by the Company's employees to the internal auditors;
- (vi) To approve any appointment or termination of senior staff members of the internal audit function (for in-house internal audit function)/ internal audit service provider (for out-sourced internal audit function); and
- (vii) To review any letter of resignation of internal audit staff members/ service provider and provide the resigning staff member/ service provider an opportunity to submit his/ their reasons for resigning.

## **2.3. Other matters**

- (i) To consider and review any significant transactions which are not within the normal course of business and any related party transactions and conflict of interest situation that arose, persist or may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts. Also, to monitor compliance with the conflict of interest situation;
- (ii) To report to Bursa Securities on any matter reported by the Board of the Company which has not been satisfactorily resolved resulting in a breach of the MMLR;
- (iii) To prepare reports, at the end of each financial year to the Board which includes the following:-

- the composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
  - the number of Committee meetings held during the financial year and details of attendance of each Committee member;
  - the summary of work of the Committee and internal audit function; and
  - a summary of any conflict of interest or potential conflict of interest situation reviewed by the AC pursuant to Paragraph 15.12(1)(h) of the MMLR (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.
- (iv) To carry out any other functions that may be mutually agreed upon by the Committee and the Board which are beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities; and
- (v) To ensure the effective discharge of the Committee's duties and responsibilities, including the review of procedures in place to ensure that the Group is in compliance with the Companies Act 2016, MMLR and other legislative and regulatory requirements.

### 3. Rights and Authority

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

- (i) have the authority to appoint the internal auditors of the Company and establish an internal audit function which is independent of the activities and ensure that the internal auditors report directly to the Committee;
- (ii) have explicit authority to investigate any matter within the terms of reference;
- (iii) have the resources, including obtaining independent professional or other advice, which the Committee requires to perform the duties;
- (iv) have full and unrestricted access to any information which the Committee requires in the course of performing the duties;
- (v) have unrestricted access to senior management of the Group, where necessary;
- (vi) have direct communication channels with the external auditors and internal auditors;
- (vii) be able to invite outsiders with relevant experience to attend its meetings, if necessary; and
- (viii) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other executive Board members, Management and employees of the Company, whenever deemed necessary.

## 4. Frequency of Meetings and Quorum

### 4.1. Frequency of Meeting

The Committee shall meet at least four (4) times a year or more frequently as circumstances dictate. The Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Chief Executive Officer, the internal or external auditors.

### 4.2. Proceedings of Meeting

- (i) The quorum for a Committee meeting shall be two (2) members, both of whom must be Independent Non-Executive Directors;
- (ii) The agenda of the Committee meetings shall be circulated not later than 7 working days before each meeting to members of the Committee;
- (iii) If at any meeting, the Chairman of the Committee is not present within fifteen (15) minutes of the time appointed for holding the same, the members of the Committee present shall choose one of their number who shall be an Independent Non-Executive Director to be the Chairman of such meeting;
- (iv) The Company Secretary, his/ her representative or other appropriate senior officer shall act as the Secretary of the Committee;
- (v) Questions arising at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In case of an equality of votes, the Chairman of the Committee shall have a second or casting vote, except where two (2) members form a quorum or at which only two (2) members are competent to vote on the question at issue, the Chairman of the Committee shall not have a casting vote;
- (vi) The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matters. A resolution in writing signed by all the members of the Committee shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members; and
- (vii) The Committee members may participate in a meeting by means of telephone conferencing, video conferencing 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.

### 4.3. Attendance at Meeting

- (i) The presence of external and internal auditors, and other relevant competent advisors, where needed at any meeting of the Committee can be requested if required by the Committee;
- (ii) Other members of the Board, Senior Management and employees of the Company and ~~its~~ the Group may attend the meeting (specific to the relevant meeting) upon the invitation of the Committee; and
- (iii) The Committee shall meet with external auditors and internal auditors without the presence of any Executive Director, Management or employees, whenever deemed necessary.

#### 4.4. Keeping and Inspection of Minutes

- (i) Minutes of the Committee shall be signed by the Chairman of the Committee meeting at which the proceedings were held or by the Chairman of the next succeeding meeting;
- (ii) The books containing the minutes of proceedings of the Committee meeting shall be kept by the Company at its registered office or a place to be determined by the Board and copies thereof shall be circulated to all members of the Board; and
- (iii) Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Chairman of the Board.

#### 5. Reporting

The Chairman of the Committee shall report the proceedings of each Committee meeting to the Board and update the Board on significant issues and concerns discussed and make necessary recommendations to the Board.

#### 6. Secretary

- (i) The Secretary to the Committee shall be the Company Secretary.
- (ii) The Secretary of the Committee shall be responsible, with the concurrence of the Chairman, for drafting the agenda and circulating the notice of meetings to the members prior to each meeting.
- (iii) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

#### 7. Minutes of meetings and Resolutions In Writing

- (i) Minutes of the AC meetings shall be signed by the Chairman of the AC meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (ii) All minutes of meetings of the AC shall be kept at the registered office of the Company or a place to be determined by the Board and copies thereof shall be circulated to all members of the Board.
- (iii) A resolution in writing signed or approved by electronic mail or any form of electronic approval or electronic signature via software, electronic devices or other means of communication apparatus or devices by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be forwarded or otherwise delivered to the Company Secretary and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.
- (iv) Any request by Management/ other persons to inspect the minutes or resolutions shall be subject to the approval of the AC.

## 8. Review of Policy

This policy shall be reviewed on an annual basis, as prescribed in SCKL/BOD/PL/029 – Board Policy Management Framework, to ensure its continued relevance and appropriateness.

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