



**BENALEC HOLDINGS BERHAD**

200501020529 (702653-V)

**AUDIT COMMITTEE  
TERMS OF REFERENCE**



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## **DEFINITIONS AND INTERPRETATION**

In these Terms of Reference, where the context so admits the following expressions shall have the following meanings :-

|                                |   |
|--------------------------------|---|
| 'Benalec' or 'the Company'     | Benalec Holdings Berhad (702653-V);   |
| 'Board'                        | The Board of Directors of Benalec Holdings Berhad;  |
| 'Benalec Group' or 'the Group' | Benalec Holdings Berhad and its subsidiaries;   |
| 'Bursa Securities'             | Bursa Malaysia Securities Berhad;   |
| 'Chairman'                     | Chairman of the Committee and is used in a gender-neutral sense;  |
| 'Committee' or 'AC'            | Audit Committee   |
| 'Company Secretary'            | Company Secretary(ies) of Benalec Holdings Berhad or the person(s) who normally exercising the secretarial practice or functions;   |
| 'Chief Executive'              | As defined in Chapter 1 of Bursa Malaysia Securities Berhad Main Market Listing Requirements means the principal executive officer of the corporation for the time being, by whatever name called, and whether or not he is a director;<br><br>In Benalec Holdings Berhad Group context, Group Managing Director / Chief Executive Officer ('GMD / CEO') and Executive Director of Benalec Holdings Berhad; |
| 'Directors'                    | Has the meaning given in Section 2(1) of the Capital Market and Services Act 2007;  |
| 'Independent Director'         | A director as defined in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements;  |
| 'Listing Requirements'         | Bursa Malaysia Securities Berhad Main Market Listing Requirements, including any amendments made from time to time;   |
| 'Management'                   | Management personnel of Benalec Group;  |
| 'Member'                       | A member of the Committee as appointed pursuant to this Terms of Reference;   |
| 'MCCG'                         | Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia on 26 April 2017;   |
| 'Secretary'                    | Secretary of the Committee;   |



|                      |   |
|----------------------|---|
| 'Senior Management'  | Generally refer to an individual who holds the highest level of management responsibility and decision-making authority within the company which includes the Group Managing Director / Chief Executive Officer, Executive Director, Chief Operating Officer, Chief Financial Officer and 'Officer' as defined in Chapter 1 of Bursa Malaysia Securities Berhad Main Market Listing Requirements; and |
| 'Terms of Reference' | The terms of reference of the Committee;  |

In this Terms of Reference, unless the context otherwise requires:

*Words importing the masculine shall be deemed and taken to include the feminine and neuter gender and vice versa. Words importing the singular shall be deemed and taken to include the plural and vice versa.*

*All references to statutes include amendments or modifications to such statutes and re-enactments thereof including the rules, regulations and all other subsidiary legislation in relation thereto.*

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**1. PURPOSE**

References

The purpose of the establishment of AC is to assist the Board in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC also provides a channel of communication between the Board, Management, External Auditors and Internal Auditors.

**2. COMPOSITION AND SIZE**

The members of the AC should be appointed by the Board based on the recommendation of the Nomination Committee from amongst the Directors of the Company who fulfil the following requirements:

- (i) the AC must be composed of not fewer than three (3) members; Para 15.09  
(1)(a) Listing  
Requirements
- (ii) all Committee members must be Non-Executive Directors, with a majority of them being Independent Directors; Practice 9.3  
MCCG
- (iii) all Committee members must be financially literate and are able to understand matters under the purview of the AC including the financial reporting process; and
- (iv) at least one member of the AC: Para 15.09  
(1)(c) (i) – (iii)  
Listing  
Requirements
  - (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - (b) if he is not a member of the MIA, he must have at least three (3) years' working experience and:
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

In the absence of a Nomination Committee, the Board appoints the AC members from amongst its number.

The Board must ensure that no Alternate Director is appointed as a Committee member. Para 15.09(2)  
Listing  
Requirements

In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements pertaining to the composition of the AC, the Board must fill the vacancy within three (3) months of the occurrence of that event. Para 15.19  
Listing  
Requirements

The Nomination Committee must review the term of office and performance of the AC and each of its members annually to determine whether such Committee and members have carried out their duties in accordance with their Terms of Reference. Para 15.20  
Listing  
Requirements



**3. CHAIRMAN**

The Board or members of the AC must elect a Chairman among Committee members who is an Independent Non-Executive Director. The Chairman of the AC is not the Chairman of the Board.

Practice 8.1  
MCCG

In the absence of the Chairman of the AC in a meeting, the members present shall elect one of their numbers to be chairman of the meeting.

The Chairman of the AC should assume, amongst others, the following responsibilities:

- (i) Planning and conducting meetings;
- (ii) Overseeing reporting to the Board of Directors;
- (iii) Encouraging open discussion during meetings; and
- (iv) Developing and maintaining an active on-going dialogue with Senior Management and both the Internal and External Auditors.

**4. SECRETARY**

The Secretary to the AC, shall but need not, be the Company Secretary of the Company.

**5. MEETINGS**

- (i) The AC should meet at least four (4) times in each financial year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.
- (ii) Sufficient time must be allocated to thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.
- (iii) The quorum shall comprise a majority of Independent Non-Executive Directors.
- (iv) The AC may call for a meeting as and when required with reasonable notice as the Committee members deem fit. The Committee 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. Minutes of such a meeting signed by the Chairman of the Committee or the meeting shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.
- (v) The Finance Director, Chief Financial Officer, the Internal Auditors and External Auditors should normally attend the meetings. Other Board members or such other persons may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- (vi) The AC should meet with the External Auditors without the presence of the executive Board members and employees whenever deemed necessary.

Para 15.18  
Listing  
Requirements

Para 15.13  
Listing  
Requirements

Para 15.17(f)  
Listing  
Requirements



- (vii) Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC must convene a meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board or the Shareholders.
- (viii) The minutes of each meeting shall be made available to all members of the Board upon request.
- (ix) The Board should be kept aware of the Committee's activities by way of updates (including verbal reports) from the Chairman of the Committee during the Board meeting.
- (x) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

Para 15.24  
Listing  
Requirements

## **6. RIGHTS**

- (i) The AC should have explicit authority to investigate any matter within its Terms of Reference, the resources to do so and full access to information.
- (ii) Each Committee member has full and unrestricted access to information and is entitled to ask for further information required to make informed decisions and has right to obtain independent professional or other advice for the performance of its duties.
- (iii) The AC may use the services of outside experts or advisors and invite outsiders with relevant experience to attend meetings, if necessary, at the cost of the Company in accordance with a procedure to be determined by the Board towards performance of its duties.
- (iv) The AC must have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced).
- (v) The Committee must 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, whenever deemed necessary.

## **7. KEY FUNCTIONS AND RESPONSIBILITIES**

- (i) The AC is primarily responsible for, amongst others, the following:
  - (a) assessing the risks and control environment;
  - (b) overseeing financial reporting;
  - (c) evaluating the internal and external audit process;
  - (d) any related party transaction and conflict of interests situation that may arise within the Company or the Group including any transaction,

Para 15.12(1)(h)  
Listing  
Requirements



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- procedure or course of conduct that raises questions of management integrity;
- (e) review the report(s) / Board's Statements in accordance to Listing Requirements for the inclusion in the Annual Report / to be made available on the Company's website;
- (f) reviewing the quarterly results and year end financial statements, before submission to the Board of Directors for approval, focusing particularly on:
- Para 15.12(1)  
(g) (i)-(iii)  
Listing  
Requirements
- (i) changes in or implementation of major accounting policies and practices;
- (ii) 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
- (iii) compliance with accounting and financial reporting standards, Listing Requirements and other legal requirements.
- (g) reviewing the following with the External Auditors and reporting the same to the Board of Directors:
- Para 15.12(1)  
(a)(b)(c)(d)  
Listing  
Requirements
- (i) the audit plan;
- (ii) the audit report;
- (iii) evaluation of the system of internal controls;
- (iv) Letter to Management and the Management's response;
- (v) the assistance given by the employees to the External Auditors; and
- (vi) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's and the Group's operating results or financial position, and Management's response.
- (h) reviewing the following with the Internal Auditors and reporting the same to the Board:
- Para 15.12(1)  
(e) & (f)  
Listing  
Requirements
- (i) the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work according to the standards set by recognised professional bodies and work effectively; and
- (ii) the internal audit plan, processes, the internal audit reports, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.





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- (i) ensuring the internal audit function is effective and able to function independently. Practice 10.1  
MCCG
  - (j) developing the scope of work of the internal audit function and conducting performance evaluation on the internal audit function. Guidance 10.1  
MCCG
  - (k) undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC.
  - (l) verify the allocation of options under a share issuance scheme (where applicable) at the end of each financial year as being in compliance with the criteria of allocation pursuant to the share issuance scheme.
  - (m) establishing procedures for receipt, retention and treatment of complaints received by the Company and the Group regarding inter alia, criminal offences involving the Company and the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Company and the Group.
  - (n) monitoring, reviewing and assessing that the utilisation of proceeds is consistent with the intention presented to investors for any fund-raising exercise.
  - (o) considering and recommending the appointment or re-appointment of the Internal and External Auditors and matters relating to the resignation or dismissal of the auditors. Providing reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment. Para 15.12(1)(j)  
Listing  
Requirements
  - (p) reviewing any resignation letter from the External Auditors. Para 15.12(1)(i)  
Listing  
Requirements
  - (q) assessing the suitability, objectivity and independence of the External Auditor annually in accordance to the policies and procedures established. Practice 8.3  
MCCG
  - (r) undertaking such other functions and duties as may be required by statute or the Listing Requirements, or by such amendments as may be made thereto from time to time.
  - (s) establishing, reviewing and implementing policies and procedures on whistleblowing.
- (ii) Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Securities. Para 15.16  
Listing  
Requirements
- (iii) All Committee members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Practice 8.5  
MCCG



## **8. RISK MANAGEMENT RESPONSIBILITIES**

### **8.1 Objectives**

- To ensure that an effective risk management and internal controls framework is embedded throughout the Group;
- To ensure that the risk management and internal controls framework is consistently adopted throughout the organisation and is within the parameters established by the Board; and
- To ensure compliance with external requirements such as Bursa Securities' Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers.

Practice 9.1  
MCCG

### **8.2 Authority and Scope**

Whilst the Board still retains the ultimate responsibility for risk management and for determining the appropriate level of risk appetite, the AC is established to provide assurance concerning the Group's risk profile to the Board.

The Board has delegated authority to the AC with a remit that encompasses risk management activities within the Group including compliance with the risk management and internal controls framework. The AC reports to the Board.

### **8.3 Roles and Responsibilities**

The AC advises the Board and makes recommendations with respect to the adequacy of the Company's approach in identifying and managing risks. Specific responsibilities include:

- (i) Establishing risk management structure:
  - Formalising Risk Management Policy & Procedures; and
  - Ensuring that the Company's risk management and internal controls framework has been implemented and is consistently applied.
- (ii) Establishing risk management processes:
  - Ensure that there is a structured and systematic process for identifying, evaluating and managing risks facing the Group; and
  - Receiving reports on the outcome of the risk assessment exercises and reviewing the results to ensure alignment with the Group's risk management policy.
- (iii) Embedding risk management and internal controls process & culture throughout the Group:
  - Ensure Risk Management Policy & Procedures is clearly communicated to relevant personnel of the Group;
  - Ensure that appropriate training in risk management is conducted at key levels to create and reinforce awareness;



- Assess management's process for monitoring internal controls and risk management and provide reasonable assurance that they continue to operate as intended and are modified according to change in business conditions; and
- Assess management's efforts to embed a risk management in all aspects of the Group's activities and promotes a risk awareness culture within the Group.

(iv) Establishing reporting and monitoring mechanism:

Guidance 9.2  
MCCG

- Ensure that appropriate reporting and feedback is received from the Management on a half-yearly basis with regard to risk management activities carried out;
- Being responsible for conducting an annual review and periodic testing of the Company's risk management and internal controls framework;
- Being responsible for reporting the Company's Risk Profile to the Board on half-yearly basis; and
- Being responsible for reporting immediately to the Board on any major changes to the risk profile that require immediate attention.

**9. REVISION OF THE TERMS OF REFERENCE**

Any revision or amendment to the Terms of Reference, as proposed by the AC should be first presented to the Board for its approval and updated as appropriate. The review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the AC's responsibilities.

**10. ANNUAL GENERAL MEETING**

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

Practice 12.2  
MCCG

Approved by the Board in 1/2020 Board of Directors' Meeting held on 28 February 2020

Recommended by the Audit Committee in 1/2020 Audit Committee Meeting held on 28 February 2020