



# **Board Audit Committee Terms of Reference**

**Revised on 16 August 2022**

## **TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE**

### **1.0 ESTABLISHMENT**

- 1.1 The Board Audit Committee was established by the Board on 21 June 2010 as a committee of the Board of Directors (“Board”) of Malaysia Marine and Heavy Engineering Berhad (“MHB” or “Company”) and it was renamed as the Audit & Risk Management Committee (“ARMC”) with effect from 4 December 2017.
- 1.2 The Board of MHB had, on 19 February 2018, changed the name of the ARMC to Board Audit and Risk Committee (“BARC”). On 8 February 2021, the BARC was further renamed as the Board Audit Committee (“BAC” or “the Committee”) pursuant to the establishment of the standalone Board Risk Committee.

### **2.0 COMPOSITION**

- 2.1 Upon recommendation of the Nomination and Remuneration Committee, the BAC shall be appointed by the Board amongst the non-executive directors and shall consist of not less than three (3) members, with the majority comprising Independent Directors. The Chairman of the Board shall not be a member of the BAC.
- 2.2 At least one (1) member of the BAC:
- 2.2.1 must be a member of the Malaysian Institute of Accountants (“MIA”); or
  - 2.2.2 if not a member of the MIA, he/she must have at least three (3) years working experience; and
    - a) passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967; or

- b) be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or

2.2.3 fulfils such other requirements as prescribed and/or approved by Bursa Malaysia.

- 2.3 In the event of any vacancy in the BAC where membership falls below three (3), the vacancy must be filled within three (3) months or within such extension period approved by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).
- 2.4 No alternate director can be appointed as a member of the BAC.
- 2.5 Any former partner of MHB’s external audit firm and its affiliates shall observe a cooling-off period of at least three (3) years-before being appointed as a member of the BAC. For purposes of the foregoing, a former partner includes those providing advisory services, tax consulting etc.

### **3.0 CHAIRMAN**

- 3.1 The Board shall appoint a Chairman of the BAC from among the Board members who are Independent Directors and not the Chairman of the Board. Should the Chairman be absent from any meeting, one of the members who shall be an Independent Director shall be elected as Chairman by the BAC members.

### **4.0 MEETINGS**

- 4.1 The BAC shall hold meetings every quarter and additional meetings may be held as and when required.
- 4.2 The quorum for each meeting shall be two (2) members who shall both be Independent Directors. The external auditors may request a meeting if they consider it necessary.
- 4.3 The BAC shall sit with the external auditors at least twice a year without the presence of any executive member of the Board.

- 4.4 The proceedings of the BAC meetings shall be recorded and maintained by the Secretary to the BAC. The Company Secretary of MHB or any other person appointed by the BAC shall be the Secretary of the BAC.
- 4.5 The Managing Director & Chief Executive Officer, the Chief Financial Officer and the General Manager of Group Internal Audit (“GIA”) shall normally attend the meetings. Other representatives of Management, representatives of the external auditors and other attendees at the discretion of the BAC may be invited to attend the meetings on matters relevant to them.
- 4.6 The Secretary shall circulate the minutes of meetings of the BAC to all members of the Board.
- 4.7 The BAC shall regulate its own procedure, in particular:
- (a) the calling of meetings;
  - (b) the notice to be given of such meetings;
  - (c) the voting and proceedings of such meetings;
  - (d) the keeping of minutes; and
  - (e) the custody, production and inspection of such minutes.

## **5.0 AUTHORITY**

- 5.1 The BAC is empowered by the Board with the following authorities:
- 5.1.1 To investigate and execute any matters within its Terms of Reference (“TOR”) the cost of which to be borne by MHB;
  - 5.1.2 Full and unrestricted access to resources and information which are required to perform its duties. This includes authority to seek information from any employees. Employees subjected to such request may be directed by the BAC to co-operate with the request;
  - 5.1.3 Direct communication channels with the external auditors and person(s) carrying out the internal audit functions and activities;

- 5.1.4 Right to obtain independent professional advice or other advices. The BAC may also invite external independent professionals to its meetings if it considers necessary;
- 5.1.5 Right to convene meetings with the external auditors, the internal auditors or both, without the presence of other directors and representatives of Management of the Group, if necessary
- 5.1.6 Right to review its TOR and to recommend amendments, revisions and updates thereto, where necessary in line with changes to the relevant laws, the prevailing corporate governance best practices or other regulatory requirements, to the Board for approval; and
- 5.1.7 Where the BAC is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Malaysia, the BAC must promptly report such matter to Bursa Malaysia

## **6.0 CIRCULAR RESOLUTIONS**

A resolution in writing signed by all BAC members who are eligible to vote shall be as valid and effectual as if it had been passed at a meeting of the BAC duly called and constituted. All such resolutions shall be described as "Board Audit Committee's Circular Resolutions" and may consist of several documents in the like form, each signed by one (1) or more Directors and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him/her in the Company's minutes book following the receipt thereof by him/her. A BAC's resolution in writing, signed and transmitted by facsimile or any electronic means shall be deemed to be original.

## **7.0 FUNCTIONS**

The BAC's functions are to review, evaluate, report and make appropriate recommendations to the Board on the following matters:

**In relation to External Auditors:**

- 7.1 Appointment and re-appointment of external auditors, the audit fees payable to the external auditors and any questions of resignation and dismissal;
- 7.2 Establishment of policies and procedures to assess the performance, suitability, objectivity and independence of external auditors that considers, among others:
  - 7.2.1 the competency, audit quality and resource capacity of the external auditor in relation to the audit;
  - 7.2.2 the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
  - 7.2.3 obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually.

- 7.3 Review with the external auditors the nature and scope of the audit plan, the system of internal control and the audit report, including the external auditors' management letter and the Management's response; and
- 7.4 Assistance and co-operation rendered by the Group's employees to the external auditors.

**In relation to the Group Internal Auditors:**

- 7.5 Adequacy of GIA's scope, functions, resources, its appropriate competency and authority within the Group;

- 7.6 Identification of the Head of GIA who reports directly to the BAC, and in consultation with Management by taking into consideration his/her qualification and experience to discharge his/her functions;
- 7.7 Recommend to the Board the appointment, transfer or dismissal (including termination and removal) of Head of GIA, in consultation with Management of MHB. The BAC shall also be informed of any resignation of the Head of GIA, who shall be provided with the opportunity to submit his/her reason of resignation;
- 7.8 GIA's annual internal audit plan, budget, processes and findings/reports generated by GIA and whether appropriate action is taken on the recommendations of GIA;
- 7.9 Effectiveness and performance of the GIA on an annual basis; and
- 7.10 Issuance of guidance and instructions for further actions to be taken by the Management.

**In relation to Internal Control:**

- 7.11 Adequacy and effectiveness of the Group's internal control system to provide reasonable assurance that:
  - 7.11.1 the assets of the Group are safeguarded against loss from unauthorised use or disposition and to give a proper account of the assets; and
  - 7.11.2 all transactions are properly authorised and that the transactions are recorded as necessary to enable the preparation of a true and fair view of the financial statements of the Company.

**In relation to Whistleblowing:**

- 7.12 Ensure the adequacy and effectiveness of the Whistleblowing Policy, whistleblowing management process and actions thereon, and the quarterly Whistleblowing Reports.

**General:**

- 7.13 The quarterly results and annual financial statements, focusing particularly on:
- 7.13.1 any changes in or implementation of accounting policy and practices;
  - 7.13.2 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
  - 7.13.3 compliance with accounting standards and other legal requirements.
- 7.14 Ensure the adequacy and effectiveness of the Group's accounting policies and procedures;
- 7.15 Review and endorse any related party transaction and review any situation of conflict of interest in relation thereto that may arise within the Group including any transaction, procedure or course of action that raises questions of Management's integrity;
- 7.16 Consider any other topics as defined by the Board.