



## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **1.0.0 COMPOSITION**

1.1.0 The Audit Committee (AC) was established since 1991, and the AC members are appointed by the Board of Directors of United Malacca Berhad (UMB) from amongst the Directors and shall comprise not less than three (3) members. All the AC members must be non-executive directors, with a majority of them being independent directors.

1.2.0 The members of the AC shall elect the Chairman, who is an Independent Director from among the members.

1.3.0 The Chairman of the Board and Alternate Director shall not be appointed as AC members.

1.4.0 If the number of members for any reason falls below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members required to fulfil the minimum requirement.

1.5.0 At least one (1) AC member must fulfil the following criteria:-

1.5.1 Must be a member of The Malaysian Institute of Accountants (MIA); or

1.5.2 If he or she is not a member of MIA, he or she must have at least three (3) years' working experience and;

(a) must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

(b) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(c) Fulfills such other requirements as prescribed by or approved by the Bursa Malaysia Securities Berhad.

1.5.3 If the number of members for any reason falls below three, the Board shall, within three months of that event, appoint such number of new members required to fulfill the minimum requirement.

- 1.5.4 A former partner of UMB's external audit firm must observe a cooling-off period of at least three years before appointment as an AC member.
- 1.5.5 All members of the AC should be financially literate of the Company's business and are able to understand the financial reporting process.
- 2.0.0 **OBJECTIVES**
- 2.1.0 The AC shall serve as a focal point for communication between Directors, External Auditors, Internal Auditor and the Senior Management on matters pertaining to corporate governance, timely and accurate financial reporting and development of sound internal controls.
- 2.2.0 The AC shall assist the Board of Directors in fulfilling its fiduciary responsibility as to accounting policies and reporting practices of UMB and all its subsidiaries (UMB Group) and the sufficiency of auditing of UMB Group.
- 2.3.0 The AC shall be the Board's principal agent in ensuring the independence of UMB Group's External Auditors and the adequacy of disclosures to shareholders.
- 3.0.0 **AUTHORITY**
- 3.1.0 The AC shall have the following authority as empowered by the Board of Directors:-
- 3.1.1 To investigate any activity within its terms of reference.
- 3.1.2 To have unrestricted access to all information and documents relevant to its activities and direct communication to External Auditors, Internal Auditor, and the Senior Management of UMB Group.
- 3.1.3 To obtain external legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if necessary.
- 3.1.4 To have the resources required to perform its duties.
- 3.1.5 To have direct communication channels with the auditors.
- 3.1.6 To have the authority to convene meetings with the External Auditors, Internal Auditors, or both, excluding the attendance of others Directors and employees of UMB Group, whenever deemed necessary.
- 4.0.0 **FUNCTIONS**
- 4.1.0 **Financial Reporting and Compliance**
- 4.1.1 To keep under review the quality and effectiveness of the accounting and internal control systems as well as the efficiency of UMB Group's operations.

- 4.1.2 To review the quarterly and annual consolidated financial statement of UMB Group before recommending it to the Board of Directors for approval. The review shall focus primarily on compliance with accounting standards as well as other regulatory requirements and the adequacy of information disclosure for a fair and complete presentation of the financial affairs of UMB Group.
- 4.1.3 To review the audit plan, the scope of examination and audit observations of the External and Internal Auditors and ensure Management takes appropriate action following the audit observations and the AC's recommendations.
- 4.1.4 To review financial information and press releases relating to financial matters of importance.
- 4.1.5 To ensure employees of UMB Group extend their assistance to the External Auditors.
- 4.1.6 To perform other related duties as directed by the Board of Directors.
- 4.2.0 **Internal Audit**
- 4.2.1 To review the adequacy of the scope, functions, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its responsibilities.
- 4.2.2 To review the internal audit programme and processes, the results of the internal audit programme and process as well as investigations undertaken and ensure that where appropriate, action is taken on the recommendations of the internal audit function.
- 4.2.3 To review the performance appraisal of the Head of the Internal Audit Department.
- 4.2.4 To recommend to the Board for the approval of the appointment of the Head of Internal Audit.
- 4.2.5 To note the appointment or termination of senior staff members of the Internal Audit Department.
- 4.2.6 To note the resignation of the Head of Internal Audit and provide him/her an opportunity to submit his/her reason for resigning, if necessary.
- 4.2.7 To meet with the internal auditor without the presence of executive board members and management at least twice a year.
- 4.3.0 **External Audit**
- 4.3.1 To consider and recommend to the Board on the appointment, re-appointment or removal of external auditors, and on their audit fees.

- 4.3.2 In appointing or re-appointing UMB Group's external auditors, AC Committee shall consider amongst others:-
- a) The adequacy of the experience and resources of the accounting firm.
  - b) The persons assigned to the audit.
  - c) The accounting firm's audit engagements.
  - d) The size and complexity of UMB Group being audited.
  - e) The number and experience of supervisory and professional staff assigned to the particular audit.
  - f) The information (ie. Legal and governance structures of the audit firm, measures taken to uphold audit quality and manage risks, and measurement of audit quality indicators) in the annual Transparency Report prepared by the audit firm.
- 4.3.3 To review with the external auditors their audit plan, the nature and scope of the audit, prior to the commencement of audit and to ensure coordination when more than one audit firm is involved.
- 4.3.4 To review with the external auditors on the following and report the same to the Board:-
- a) Nature, extent and scope of non-audit services, whether recurring or non-recurring, to ensure the provision of non-audit services of UMB Group do not impair the external auditors' suitability, objectivity and independence.
  - b) Audit report, including any major issues that arose during the course of the audit and subsequently been resolved and those issues that have been left unresolved.
  - c) Key audit matters and the external auditors' management letter and management's response thereto.
  - d) Evaluations of the system of internal controls.
  - e) Audit approach, including coordination of audit efforts with internal audits and assistance given by the employees to the external auditors.
  - f) Any significant audit findings, reservations, difficulties encountered or material weakness reported by the external auditors.
- 4.3.5 To review the annual performance assessment, including the suitability, objectivity and independence of the external auditors. Factors to consider include:-

- a) Seeking reassurance that the auditor and their staff have no family, financial, employment, investment or business relationship with UMB Group (other than in the ordinary course of business) or employment.
  - b) Seeking from the audit firm, on an annual basis, information about policies and processes for maintaining their independence and monitoring compliance with relevant requirements, including requirements regarding rotation of audit partners and staff; and monitoring UMB Group's policy for employment of former employees of external auditors.
- 4.3.6 To review relevant related party transactions (ie transactions which require the Committee's approval) entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to ensure that:-
- a) Such transactions are carried out on normal commercial terms and are not prejudicial to the interest of UMB or its minority shareholders.
  - b) Adequate oversight over the internal control procedures with regard to such transactions.
- 4.3.7 To review conflict of interest situations that may arise within UMB Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.3.8 To review and evaluate the adequacy and effectiveness of UMB Group's policies, internal controls, procedures and reporting systems for detecting, preventing and reporting appropriate business conduct, fraud and breaches of anti-corruption laws periodically or at least once every three years.
- 4.3.9 To review UMB Group's assessment of corruption risks and oversee the creation, maintenance and ongoing operation of UMB Group's risk mitigation strategies to ensure UMB Group has established and maintained appropriate and efficient procedures to manage corruption risk.
- 4.3.10 To assess, processes and procedures to ensure compliance with laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.
- 4.3.11 To meet at least twice a year with the External Auditors in a private session to discuss any matters without the presence of Management and any executive members of the Board of Directors.

## 5.0.0 **MEETINGS**

- 5.1.0 The AC shall meet on a quarterly basis. The AC Chairman may call for additional meetings at his discretion.
- 5.2.0 Upon request of the auditors, the AC Chairman shall convene a meeting of AC Committee to consider any matter the auditor believes should be brought to the attention of the Directors or shareholders.
- 5.3.0 The quorum for a meeting shall be two (2) members and the majority of members present must be Independent Directors.
- 5.4.0 The Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Auditor, and External Auditors shall attend meetings by invitation of the AC.
- 5.5.0 The AC Chairman reports on key issues discussed at each meeting to the Board of Directors.
- 5.6.0 Minutes of each meeting shall be kept and circulated to the AC members and other members of the Board of Directors.
- 5.7.0 The Company Secretary shall be the AC Secretary.

## 6.0.0 **REVISION OF THE TERMS OF REFERENCE**

- 6.1.0 The AC shall, as and when required, assess the adequacy of this Terms of Reference and make any necessary amendments to ensure it remains consistent with the UMB Board's objectives, current law, and best practices. The AC shall recommend any amendments/revisions required to UMB Board for approval.
- 6.2.0 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and be considered duly revised or amended.
- 6.3.0 This Terms of Reference is available on UMB's website at [www.unitedmalacca.com.my](http://www.unitedmalacca.com.my).
- 6.4.0 UMB Board approved this Terms of Reference, including all revisions and amendments on 28 June, 2022.