

Terms of Reference for Audit Committee

OSKH-CS-TOR-003-2

28 February 2018

OSK Holdings Berhad (207075-U)

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Revision History Log

Ver. No	Section	Section Name	Page	Details of Amendments	Effective Date	e-Circular No.
1	All	All	All	Document published	May 2016	NIL
2	A.1.1	Audit Committee – Introduction	4	Updated introduction to AC	28 Feb 2018	OSKH/CS/CI R/003
	A.1.2	Audit Committee – Composition	4	Added requirement for composition based on MCCG requirement		
	A.1.3	Audit Committee – The Chairman	5	Added criteria for chairman selection based on MCCG requirement		
	A.2.8	Duties and Functions – Other reviews	7	Updated AC's function in handling other reviews		
	A.4.1	Meetings & Minutes – General	9	Updated meeting quorum criteria		

Glossary

Term	Description
"AC" or "Committee"	Audit Committee
"Board"	The Company's Board of Directors
"Company" or "OSKH"	OSK Holdings Berhad
"IA"	Internal Audit
"Listing Requirements"	Main Market Listing Requirements of Bursa Malaysia
"MCCG"	Malaysian Code on Corporate Governance
"OSKH Group"	OSKH and its subsidiary companies, collectively
"Secretary"	Company Secretary

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A. TERMS OF REFERENCE

A1. Audit Committee

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- 1. Introduction**
- The Audit Committee (“AC” or “Committee”) is established by the Board of Directors (“Board”) to assist it in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.
 - The Committee shall be assisted by the Management who is responsible for establishing and maintaining those controls, procedures and processes and the independent internal and external auditors.
- 2. Composition**
- The Committee shall be appointed by the Board from amongst the Directors of the Company and comprise only non-executive directors with at least three (3) members, of which the majority shall be independent directors. At least one (1) member of the Committee:
 - must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - if he is not a member of the MIA, he must have at least three (3) years of working experience in related field and
 - he must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967; or
 - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
 - To the extent practicable, the Committee should comprise solely of Independent Directors to be consistent with the Malaysian Code on Corporate Governance (revised in April 2017) (“MCCG”).
 - No alternate director is to be appointed as a member of the Committee.
 - In the event of any vacancy in the Committee including that of an independent chairman resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia (“Listing Requirements”), the vacancy must be filled within three (3) months.

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- The term of reference 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 its members have carried out their duties in accordance with their terms of reference.
 - Any appointment of a former key audit partner as a member of the Committee shall observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee.
- 3. The Chairman**
- The Committee shall be chaired by an independent director, and the Chairman of the Committee should not be the Chairman of the Board.
- 4. Duties and Responsibilities of the Chairman**
- The Chairman shall be responsible for:
 - active on-going dialogue with management and both internal and external auditors;
 - calling and conducting meetings;
 - reporting to the Board; and
 - open discussion during meetings.
- 5. Reporting**
- The Committee shall report to the Board.

End

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A. TERMS OF REFERENCE

A2. Duties and Functions

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| 1. Fair and Transparent Reporting | <ul style="list-style-type: none"> • Ensure fair and transparent reporting and prompt publication of the financial statements prepared in accordance with relevant financial reporting standards. |
| 2. Effectiveness of Internal Audit (“IA”) | <ul style="list-style-type: none"> • Oversee the IA function and ensure compliance with relevant regulatory requirements especially with regard to independence. • Review the adequacy of the scope, functions, competency and resources of the IA function, and that it has the necessary authority to carry out its work. • Review the IA programme, processes, the results of the IA programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the IA function. • Evaluate performance, set compensation and decide on the appointment/dismissal of the Head / Chief of IA function. |
| 3. Internal Controls | <ul style="list-style-type: none"> • Review the effectiveness and efficiency of internal controls and risk management processes. |
| 4. External Auditors | <ul style="list-style-type: none"> • Evaluate and recommend the nomination of external auditors to the Board. • Evaluate and recommend (supported by grounds) the re-appointment or non-suitability of the external auditors. • Ensure independence of the external auditors. • Review with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan. • Review with the external auditors, their evaluation of the system of internal controls and their audit reports. • Review the management letter and the management’s response. • Review the assistance given by the employees of the Company to the external auditor. |

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- Review the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
 - the going concern assumption;
 - any changes in or implementation of major accounting policy and practices;
 - significant matters highlighted including reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards, regulatory and other legal requirements; and
 - major judgmental issues.
 - Discuss problems and reservations arising from the interim and final audit and any matter the external auditors may wish to discuss, including all key audit matters highlighted in the auditor's report (in the absence of management where necessary).
 - Review any letter of resignation from the external auditors.
 - Approve the provision of non-audit services by the external auditors.
 - Ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the auditors.
- 5. Related Party Transactions**
- Review any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 6. Internal Investigation**
- Consider major findings of internal investigation and the management's response in relation to the investigation.
- 7. Audit Committee Report**
- Review the audit committee report that sets out the information as prescribed by the Listing Requirements, for inclusion in the annual report of the Company.
- 8. Other Reviews**
- Review all prospective financial information provided to the regulators and / or to the public;
 - Oversee any periodic or ad-hoc or assurance activities with respect to sustainability management and reporting processes; and
 - Consider any other matters as may be directed by the Board from time to time.

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A. TERMS OF REFERENCE

A3. Authority

1. General

- The Committee shall within its terms of reference:
 - have the resources which are required to perform its duties and be provided with relevant information on a timely basis;
 - have full and unrestricted access to any information pertaining to the Company and group;
 - have the authority to investigate any matter within its terms of reference;
 - have direct communication channels with the external auditors and person(s) carrying out the IA functions or activities;
 - be able to obtain independent professional or other advice; and
 - 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.

End

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A4. Meetings & Minutes

1. General

- The Committee shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.
- Prior notice shall be given for the Committee meetings.
- The quorum consists of two (2) members present and both must be independent directors.
- The Committee is also allowed to carry out the resolution by way of circulation.
- Other directors and employees may attend any particular Committee meeting only at the invitation of the Committee.
- The Committee shall meet with the external auditors at least twice a year without the presence of the management.
- The Committee may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a member to be in the physical presence in the meeting. The member participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed by the member in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the members duly convened and held.
- Resolutions, proposals and matters tabled for approvals at any meeting of the Committee shall be decided by a simple majority of the members present.
- The Company Secretary shall act as Secretary to the Committee.
- The Secretary shall be responsible for taking the minutes of meetings, keeping the minutes and to produce the minutes for inspection when necessary.

End