

# **Terms of Reference for Audit Committee**

**OSKH-CS-TOR-003-6**

**20 November 2024**

**OSK**

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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/CIR/003
	A.1.2	Audit Committee – Composition	4	Added requirement for composition based on MCCG		
	A.1.3	Audit Committee – The Chairman	5	Added criteria for chairman selection based on MCCG		
	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		
3	All	All	All	Refer to the Summary of Changes	18 Nov 2020	OSKH/CS/CIR/004
4	All	All	All	Refer to the Summary of Changes	25 Nov 2022	OSKH/CS/CIR/007
5	A2.5	Duties and Functions – Related Party Transactions and Conflict of Interest	8	Refer to Summary of Changes	22 Nov 2023	OSKH/CS/CIR/008
6	All	All	All	Refer to Summary of Changes	20 Nov 2024	OSKH/CS/CIR/011

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## Glossary

Term	Description
“AC”	Audit Committee
“Board”	The Company’s Board of Directors
“Bursa Malaysia”	Bursa Malaysia Securities Berhad
“COI”	Conflict of interest
“Company”	OSK Holdings Berhad
“Director”	A member of the Board, which includes both Executive and Non-Executive Directors
“HOD”	Head of Departments
"the Group"	OSK Holdings Berhad and its subsidiaries, collectively
“Independent Director”	A Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and who satisfies the criteria for “independence” set out in the Listing Requirements of Bursa Malaysia
“IA”	Internal Audit
"Listing Requirements"	Main Market Listing Requirements of Bursa Malaysia, including any Practice Notes issued in relation thereto, as amended from time to time and any updates or revisions thereto
“Management”	Executive with management authority within their respective domains
“MCCG”	Malaysian Code on Corporate Governance as issued by the Securities Commission Malaysia, as amended from time to time and any updates or revisions thereto

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## **A. TERMS OF REFERENCE**

### **A1. Audit Committee**

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- 1. Introduction**
1. The AC is established by the Board to assist it in fulfilling its oversight responsibilities relating to corporate accounting, financial reporting practices, system of internal controls, the audit process, the administration of Whistleblowing Policy and the process of monitoring compliance with laws and regulations.
  2. The AC 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**
1. The AC shall be appointed by the Board from amongst their number 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 AC:
    - 1.1. must be a member of the Malaysian Institute of Accountants (“MIA”); or
    - 1.2. if he is not a member of the MIA, he must have at least three (3) years of working experience in related field and
      - 1.2.1. he must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
      - 1.2.2. 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
      - 1.2.3. fulfills such other requirements as prescribed or approved by Bursa Malaysia.
  2. In accordance with Malaysian Code on Corporate Governance (“MCCG”) and to the extent practicable, the Committee should comprise solely of Independent Directors and the Chairman of the Board shall not be a member of AC.
  3. No alternate director is to be appointed as a member of the AC.
  4. In the event of any vacancy in the AC including that of an independent chairman resulting in the non-compliance of the Listing Requirements of Bursa Malaysia, the vacancy must be filled within three (3) months.
  5. The terms of office and performance of the AC and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

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6. Any former partner of the Company’s external audit firm and/or its affiliate firm (including those providing advisory services, tax consulting, etc.) shall observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.
  7. The members of AC shall be financially literate and have sufficient understanding of the Company’s business in order to continuously apply a critical and probing view on the Company’s financial reporting process, transactions and other financial information, and effectively challenge Management’s assertions on the Company’s financials.
  8. The members of AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 3. The Chairman**
1. The AC shall be chaired by an Independent Director. The Chairman of the AC shall be appointed by the Board. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to chair the meeting.
- 4. Duties and Responsibilities of the Chairman**
1. The Chairman shall be responsible for ensuring the overall effectiveness and independence of the AC which includes:
    - 1.1. active on-going dialogue with Management and both internal and external auditors;
    - 1.2. calling and conducting meetings;
    - 1.3. reporting to the Board;
    - 1.4. open discussion during meetings; and
    - 1.5. attending general meetings to answer any questions raised by the shareholders on the AC’s activities.
  2. The Chairman together with other members of AC should ensure that:
    - 2.1 the AC is fully informed about significant matters related to the Company’s audit and its financial statements and addresses these matters;
    - 2.2 the AC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
    - 2.3 the AC’s concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditor; and
    - 2.4 there is co-ordination between internal and external auditors.

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End

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**A. TERMS OF REFERENCE**  
**A2. Duties and Functions**

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| <b>1. Fair and Transparent Reporting</b>         | <ol style="list-style-type: none"> <li>1. Ensure fair and transparent reporting and prompt publication of the financial statements.</li> <li>2. Review the quarterly results and year-end financial statements, prior to recommending for the Board’s approval, focusing particularly on: <ol style="list-style-type: none"> <li>2.1. the going concern assumption;</li> <li>2.2. any changes in or implementation of major accounting policy and practices;</li> <li>2.3. significant matters highlighted including reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;</li> <li>2.4. compliance with accounting standards, regulatory and other legal requirements;</li> <li>2.5. fair and transparent reporting; and</li> <li>2.6. major judgmental issues.</li> </ol> </li> </ol>                                 |
| <b>2. Effectiveness of Internal Audit (“IA”)</b> | <ol style="list-style-type: none"> <li>1. Oversee the IA function and ensure compliance with relevant regulatory requirements especially with regards to its independence.</li> <li>2. Review the adequacy of the scope, functions, competencies and resources of the IA function, and that it has the necessary authority to carry out its work.</li> <li>3. Review the IA plan, processes, the results of the IA assessment, or investigation undertaken, and whether or not appropriate action is taken on the recommendations.</li> <li>4. Review the budget for the IA function which reports directly to the AC.</li> <li>5. Evaluate performance and decide on the appointment/dismissal of the Head / Chief of IA function, who is responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal controls and governance processes within the Group.</li> </ol> |
| <b>3. Internal Controls</b>                      | <ol style="list-style-type: none"> <li>1. Review the effectiveness and efficiency of the system of internal controls.</li> </ol>  |

**4. External Auditors**

1. Evaluate and recommend the nomination of external auditors to the Board.
2. Evaluate and recommend (supported by grounds) the re-appointment or non-suitability of the external auditors.
3. Ensure independence of the external auditors, by way of a written assurance 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.
4. Review the performance of the external auditors, including their suitability, objectivity and independence of the external auditor on an annual basis in accordance with the Policy and Guidelines on the Performance Evaluation of External Auditors, which takes into consideration among others:
  - 4.1. the competency, audit quality and resource capacity of the external auditor in relation to the audit; and
  - 4.2. the independence of the external auditors throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
5. Review with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan.
6. Review with the external auditors, their evaluation of the system of internal controls and their audit reports.
7. Review the management letter and the Management's response to the external auditors.
8. Review the assistance given by the employees of the Company to the external auditors.
9. 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.
10. Review any letter of resignation from the external auditors.
11. Ensure the appropriateness of audit fees to support a quality audit.
12. Review and approve the non-audit services before being rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of the fees.
13. 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 external auditors.



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| <b>5. Related Party Transactions and COI</b> | <ol style="list-style-type: none"><li>1. Review any related party transaction, including recurrent related party transactions, and COI/potential COI situation that arose, persist or may arise within the Company or 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.</li><li>2. Ensure that the Group has adequate procedures and processes in place to monitor, track and identify recurrent related party transaction and COI/potential COI, and through IA, review these procedures and processes on a periodic basis.</li></ol> |
| <b>6. Internal Investigation</b>             | <ol style="list-style-type: none"><li>1. Consider major findings of internal investigation and the Management's response in relation to the investigation.</li></ol>  |
| <b>7. Whistleblowing</b>                     | <ol style="list-style-type: none"><li>1. Exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblowing Policy.</li></ol>   |
| <b>8. AC Report</b>                          | <ol style="list-style-type: none"><li>1. Review the AC report that sets out the information as prescribed by the Listing Requirements, for inclusion in the annual report of the Company.</li></ol>   |
| <b>9. Other Reviews</b>                      | <ol style="list-style-type: none"><li>1. Consider any other matters as may be directed by the Board from time to time.</li></ol>  |

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End

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**A. TERMS OF REFERENCE**  
**A3. Authority**

**1. General**

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1. The AC shall within its terms of reference:
- 1.1. Have the resources which are required to perform its duties and be provided with relevant information on a timely basis;
  - 1.2. Have full and unrestricted access to any information pertaining to the Company and the Group;
  - 1.3. Have the authority to investigate any matter within its terms of reference;
  - 1.4. Have direct communication channels with the external auditors and person(s) carrying out the IA functions or activities;
  - 1.5. Have authority to engage independent consultants or other advisors; and
  - 1.6. 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.

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End

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**A. TERMS OF REFERENCE**  
**A4. Meetings & Minutes**

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- 1. General**
1. The AC shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.
  2. Prior notice shall be given for the AC meetings.
  3. The quorum consists of two (2) members present and the majority of members present must be Independent Directors.
  4. The AC is also allowed to carry out the resolution by way of circulation. A circular resolution signed or approved by any written electronic communications by a majority of the members of the AC and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. All such resolutions shall be described as “Audit Committee Members’ Circular Resolutions” and shall be forwarded or otherwise delivered to the Company Secretary without delay, and shall be recorded by the Company Secretary in the Company’s minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more AC members.
  5. The AC shall meet with the external auditors at least twice a year without the presence of the Management.
  6. The AC 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.
  7. Resolutions, proposals and matters tabled for approvals at any meeting of the AC shall be decided by a simple majority of the members present. One (1) member shall have one (1) vote. In case of an equality of votes, the Chairman of the AC shall have a second or casting vote.
  8. Other Directors, the HODs and relevant Management personnel may be invited to attend the AC meetings.
  9. The AC member is required to make declaration and abstain from deliberations and voting in respect of any matter which may give rise to a COI or potential COI situation. The interested AC member shall be counted as part of the quorum of the meeting.

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10. The Company Secretary shall act as Secretary to the AC and shall be responsible for taking the minutes of meetings, keeping the minutes and to produce the minutes for inspection when necessary.
11. The Company Secretary, in consultation with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers to each AC member prior to the AC meeting.

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End

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## **A. TERMS OF REFERENCE**

### **A5. Reporting**

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#### **1. General**

1. The Chairman assisted by AC shall report the proceedings of each AC meeting to the Board and update the Board on significant issues and concerns discussed and where appropriate, make necessary recommendations to the Board.
2. 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 AC must promptly report such matter to Bursa Malaysia.

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End

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## **A. TERMS OF REFERENCE**

### **A6. Review of the Terms of Reference**

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#### **1. General**

1. The AC members will assess, review and update the terms of reference at least once every three (3) years or as and when there are changes to the regulatory requirements, direction or strategies of the Company that may affect the AC's roles.
2. The Company Secretary shall be responsible to highlight and notify the AC when the need arises for a review.
3. The AC will recommend changes for the approval of the Board.
4. In the event the regulatory requirements are amended, modified or varied, such amendments, modifications or variations shall be deemed inserted herein whereupon this Terms of Reference shall be read and construed accordingly.

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End