



**NTPM HOLDINGS BERHAD**  
**Registration No. 199601012313 (384662-U)**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**1. OBJECTIVES**

- 1.1 The principal objectives of the Audit Committee (“Committee”) are to assist the Board of Directors (“the Board”) in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries. In addition, the Committee shall:
- (a) evaluate the quality of the audits performed by the internal and external auditors;
  - (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
  - (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
  - (d) determine the quality, adequacy and effectiveness of the Group’s control environment and quality of the audits.

**2. COMPOSITION**

- 2.1 The Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of no fewer than three (3) members. All the Committee members must be non-executive directors, with a majority of them being independent. No alternate director is to be appointed as a member of the Committee.
- 2.2 At least one member of the Committee:
- (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and
    - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (b) he 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
  - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

The definition of “independent directors” shall have the meaning given in Chapter 1.01 of the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”).

- 2.3 The Chairman of the Committee shall be appointed among the members of the Committee who shall be an independent director.

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- 2.4 Former partner is required to observe a cooling off period of at least three (3) years before being appointed as a member of the Committee. The requirement to observe the cooling-period applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consultant etc).
- 2.5 In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements, the vacancy shall be filled within Three (3) months.

### **3. MEETINGS**

- 3.1 The Committee shall hold at least four regular meetings per year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman of the Committee may call for additional meetings at any time at the Chairman of the Committee discretion.
- 3.2 The quorum for the Committee meeting shall be the majority of members present whom must be independent directors.
- 3.3 In the absence of the Chairman of the Committee, the remaining members present shall elect one from amongst themselves to chair the meeting.
- 3.4 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.
- 3.5 Notice of Committee meetings shall be given to all the Committee members unless the Committee waives such requirement.
- 3.6 The Chairman of the Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.
- 3.7 The Finance Manager, Head of Finance Department, the Head of internal audit and representatives of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Committee. However, the Committee shall meet with the external auditors, the internal auditors or both, without other Board members and management present at least twice a year or/and whenever deemed necessary.
- 3.8 Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall not have a second or casting vote.
- 3.9 The Company Secretary or their nominee shall be the secretary of the Committee.

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### **4. AUTHORITY**

- 4.1 The Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,
- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Committee.
  - (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
  - (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
  - (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
  - (e) where the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia Securities Berhad (“Bursa Securities”).

### **5. DUTIES AND RESPONSIBILITIES**

- 5.1 The duties and responsibilities of the Committee are as follows:
- i) To review the annual performance assessment, including the suitability, objectivity and independence of the external auditors which takes into consideration the followings:
    - the competence, audit quality and resource capacity of the external auditor in relation to the audit;
    - the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
    - 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.
  - ii) To recommend for the appointment/re-appointment or removal of the external auditors, the audit fee and any question of resignation or dismissal of external auditors;

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- iii) To discuss with the external auditors before the audit commences the nature and scope of the audit, ensure co-ordination where more than one audit firm is involved;
- iv) To review with the external auditors their audit plan, their evaluation of the system of internal controls and their audit report;
- v) To review the quarterly and annual financial statements before approval by the Board, focusing particularly on:
  - any changes in or implementation of major accounting policies and practices;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transaction, and how these matters are addressed;
  - compliance with accounting standards and other legal requirements;
  - key audit matters that relate to the modified opinion or material uncertainty related to going concern (including steps taken (if any) to address those matters)
- vi) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);
- vii) To review the external auditors' management letter and management's response and the assistance given by the employees of the Company and its subsidiaries to the external auditors;
- viii) To do the following, in relation to the internal audit function:
  - review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate actions is taken on the recommendations;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function;
  - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
  - to support, as deem necessary, the internal audit activities.

Pursuant to the Listing Requirements of Bursa Securities, the Company must establish an internal audit function which is independent of the activities it audits and to ensure its internal audit function reports directly to the Committee.

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- ix) To consider any related party transactions 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;
- x) To report its findings on the financial and management performance, and other material matters to the Board;
- xi) To consider the major findings of internal investigations and management's response;
- xii) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- xiii) To monitor the foreign currency transactions and determine and review the policies associated to each transaction annually;
- xiv) To establish policies governing the circumstances under which the contract in relation to the provision of non-audit services can be entered into by the Group with its external auditors and procedures that need to be adhered;
- xv) To review the adequacy and effectiveness of risk management and internal control systems instituted within the Group;
- xvi) To determine the remit of the internal audit ("IA") function.
- xvii) To report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- xviii) To consider any other functions as may be agreed between the Committee and the Board; and
- xix) To consider and examine such other matters as the Board and/or the Committee consider appropriate.

### **6. REPORTING PROCEDURES**

- 6.1 The Committee Chairman shall report on each meeting to the Board. The Committee shall make whatever recommendations to the Board on all matters it deems appropriate on any area within its remit where action or improvement is needed.
- 6.2 Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board.
- 6.3 The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.