



DRB-HICOM BERHAD

Registration No. 199001011860 (203430-W)

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

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1.0 OBJECTIVE

- 1.1 The Board Audit Committee (“BAC”) is established to assist the Board of Directors (“the Board”) of DRB-HICOM Berhad (“DRB-HICOM” or “Company”) in fulfilling its oversight responsibilities. The objective of the BAC is to assist the Board of DRB-HICOM on the following matters:-
- (i) Review and ascertain effectiveness of risk management, system of controls and governance, including determining that operational and financial controls, business ethics and compliances are being properly managed and monitored within the Company and its subsidiary companies (“the Group”) in order to prioritise, empower and protect the interest of stakeholders.
 - (ii) Monitor the programs and initiatives of the Integrity and Governance Unit (“IGU”) and oversee the overall prevention of corruption, fraud, abuse of power, malpractice and unethical conduct within the organisation, by ensuring commitment in nurturing a culture of integrity with the formulation of a strong governance, business ethics and compliance to laws and regulations.

2.0 COMPOSITION

The following requirements are to be fulfilled by the Board in the appointment of members of the BAC from among its members:-

- 2.1 The BAC shall comprise of not fewer than three (3) members, exclusively of Non-Executive Directors, a majority of whom must be Independent Directors. No alternate Director shall be appointed as a member of the BAC; and subject to any regulatory disqualification, members of the BAC shall not be removed except by the Board.
- 2.2 The members of the BAC shall elect the Chairman from among themselves, who is an Independent Non-Executive Director.
- 2.3 All members of the BAC shall be financially literate and have sufficient understanding of the Company, and at least one member of the BAC,
- (i) Must be a member of the Malaysian Institute of Accountants (“MIA”); or

- (ii) If he or she is not a member of the MIA, he/she must have at least three (3) years working experience, and:
 - (a) Must have passed the examination 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.
 - (iii) Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2.4 In the event of any vacancy in the BAC, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. The Board Nomination & Remuneration Committee must review the term of office and performance of the BAC and each of its members annually to determine whether the BAC and its members have carried out their duties in accordance with the Terms of Reference.
- 2.5 If a former key audit partner is recommended for appointment as a member of the BAC, he or she must observe a cooling-off period of at least three (3) years before his or her appointment.

3.0 MEETINGS

- 3.1 The quorum for all meetings of the BAC shall not be less than two (2) members, both of whom must be Independent Non-Executive Directors. The Chairman shall chair all meetings and, in his absence, another Independent Non-Executive Director shall chair it.
- 3.2 The BAC shall meet at least four (4) times a year, or more frequently as the BAC considers necessary, and the Group Managing Director (“GMD”), Group Chief Operating Officer, Group Chief Financial Officer and Head of Group Internal Audit & Integrity Division (“GIAID”) shall, by invitation, attend the meetings. Other Management members shall be invited to attend, as and when, required by the BAC.
- 3.3 The external auditors are invited to attend the BAC meetings, as and when necessary.
- 3.4 The BAC shall meet separately with the external auditors at least twice a year, without the attendance of the Management.
- 3.5 The Company Secretary shall be the Secretary of the BAC and shall provide the necessary administrative and secretarial services for the effective functioning of the BAC. The draft

Minutes shall be circulated to the BAC members for comment and the final Minutes shall be tabled at the subsequent BAC meeting for confirmation and signature by the BAC Chairman.

- 3.6 Attendance at a meeting may be by being present in person or by participating via video-conferencing or tele-conferencing.

4.0 AUTHORITY

The Board has empowered the BAC to:

- 4.1 Investigate any activity within the scope of the BAC's Terms of Reference and shall have full and unrestricted access to any information or documents relevant to the BAC's activities;
- 4.2 Obtain independent legal or other professional advice as necessary;
- 4.3 Communicate directly with the external auditors, internal auditors and all employees of the Group;
- 4.4 Have adequate resources to perform its duties as set out in its Terms of Reference;
- 4.5 Oversee implementation and monitoring of the Anti-Bribery and Anti-Corruption and Whistleblowing Policy as required by the Main Market Listing Requirements ("MMLR") of Bursa Securities and the Guidelines on Adequate Procedures issued in relation to Section 17A (5) of the Malaysian Anti-Corruption Commission Act, 2009 (Amendment 2018) ("MACC Act") for the DRB-HICOM Group, and ensure effective administration thereof, by the Head of GIAID;
- 4.6 Review relevant documents related to DRB-HICOM's Anti-Bribery and Anti-Corruption ("ABAC") as well as integrity-related programs and initiatives;
- 4.7 Review and report to the Board the findings of any examination, assessment or audit by regulators and authorities; and
- 4.8 Make recommendations for improvement in operational performance and management control arising from internal and external audit recommendations.

5.0 DUTIES AND RESPONSIBILITIES

The functions of the BAC are as follows:-

5.1 Risk Management and Internal Control

Ensure that the Management has put in place an adequate system of risk management and internal controls to safeguard shareholders' interests and the Company's assets.

5.2 Financial Reporting

Review the annual and quarterly financial results of the Group focusing on, amongst others, financial disclosures, changes in accounting policies, and practices and compliance with the Malaysian Accounting Standards Board's ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the MMLR of Bursa Securities.

5.3 Internal Audit

In respect of the internal audit function,

- (i) To review and approve the Internal Audit Charter, which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company;
- (ii) To review the adequacy of the scope, functions, competency and resources of the GIAID and to assess whether it has the necessary authority to carry out its responsibilities with regard to the annual audit plan;
- (iii) To review and approve the annual internal audit plan, processes, results of the internal audit assessments, investigation undertaken and where necessary, ensure that appropriate action is taken based on the recommendations of the GIAID;
- (iv) To review any appraisal or assessment of the performance of the GIAID function and Head of GIAID;
- (v) To review and concur to the accuracy and adequacy of Statement of Risk Management and Internal Controls, as well as the Audit Committee Report, to be published in the Annual Report;
- (vi) To review and recommend to the Board on any amendment to the Whistleblowing Policy of DRB-HICOM; and

- (vii) To review and endorse the sustainability assurance statement on whether sustainability reporting has accordingly been reviewed by internal auditors (or independent external assurance providers) in line with the assurance review required under MMLR issued by Bursa Securities prior to issuance of the Sustainability Report in the Company's Annual Report.

5.4 External Auditors

With regard to external auditors,

- (i) To consider and recommend the nomination, appointment or re-appointment of the external auditors, the audit fee payable and any question of resignation or dismissal/removal;
- (ii) To report to the Board whether there are reasons to believe, supported by grounds, that the external auditors are not suitable for re-appointment;
- (iii) To discuss with the external auditors, prior to commencement of the Company's audit, the nature and scope of audit and to ensure coordination where more than one audit firm is involved;
- (iv) To review the audit plan with the external auditors, their evaluation of the systems of internal controls, their audit report and the assistance given by the Company's officers to the external auditors;
- (v) To review the quarterly and year-end annual financial statements, to be announced to the Bursa Securities, before submission to the Board for approval, focusing particularly on:-
 - a) any changes in accounting policies and practices;
 - b) significant adjustments arising from the audit;
 - c) significant and unusual events;
 - d) the going concern assumption; and
 - e) compliance with MASB's Approved Accounting Standards in Malaysia for Entities Other than Private Entities, MMLR of Bursa Securities and other legal requirements.
- (vi) To review the external auditors' Management Letter and Management's response; and
- (vii) To assess the suitability, objectivity and independence of the external auditors and to establish appropriate policies and procedures for this purpose.

5.5 Integrity Function

With regard to Integrity function,

- (i) To review and approve documents related to ABAC and integrity-related initiatives, including Integrity Function Charter, Annual ABAC Program, Organisational Anti-Corruption Plan (“OACP”), and Anti-Bribery Management System (“ABMS”);
- (ii) To review and recommend to the Board on any amendment to the ABAC Policy;
- (iii) To oversee issues of corruption, fraud, abuse of power, malpractice, unethical conduct and conflict of interest that may arise within the Company and the Group;
- (iv) To assist the Board to promote a culture of integrity within the organisation and to ensure that the Whistleblowing Policy is adequate and functioning effectively;
- (v) To ensure that the Integrity and Governance Unit is effective, achieving its objective and is able to function independently; and
- (vi) To report to the Board on the Board Audit Committee’s activities, issues and related recommendations involving the Integrity and Governance Unit.

6.0 OTHER RESPONSIBILITIES

Other responsibilities of the BAC include:-

- 6.1 To instruct the external auditors, internal auditors, and integrity officers that the BAC expects to be advised if there are any areas that require their special attention, including major findings of internal investigations and the Management’s response;
- 6.2 To report its activities to the Board in such manner and at such times, as it deems appropriate, and report to Bursa Securities, where a matter reported to the Board has not been satisfactorily resolved, resulting in a breach of the MMLR of Bursa Securities;
- 6.3 To review related party transactions (“RPT”) and recurrent related party transactions (“RRPT”) as well as conflict of interest (“COI”) situations that arose, persists or may arise within the Company or Group including any transaction, procedures or course of conduct that raises questions on integrity in complying with the MMLR of Bursa Securities;

- 6.4 To disclose in the Audit Committee Report (to be published in the Annual Report) a summary of any COI or potential COI situations within the Company or Group that have been reviewed, excluding RPT and RRPT, and measures taken to resolve, eliminate or mitigate such conflicts;
- 6.5 To review any allocation of share options pursuant to the Employees' Share Option Scheme ("ESOS") granted to employees in the Group;
- 6.6 To conduct and convene meeting sessions with the external auditors and Head of GIAID on any issues arising from their audits, without the presence of Management; and
- 6.7 To consider and examine any other matters as the BAC considers appropriate or as instructed by the Board and any other matters requiring the BAC's approval/recommendation under the Limits of Authority of the Company.

This Terms of Reference of the Board Audit Committee shall be in force until such time that the Chairman of Board of Directors requires its amendment.