

# NICHE CAPITAL EMAS HOLDINGS BERHAD (527272V)

## TERMS OF REFERENCE: AUDIT COMMITTEE

The Audit Committee is governed by the Terms of Reference as stipulated below.

### 1. Objectives

The primary functions of the Audit Committee (“AC”) is to assist the Board in fulfilling the following oversight objectives on the Group’s activities:

- (a) Oversee the risk management framework of the Group and assess the Group’s processes relating to its risks, governance and control environment including review of the adequacy and completeness of the Group’s internal control and risk management process and recommending improvements where required;
- (b) Oversee financial reporting;
- (c) Evaluate the internal and external audit processes including issues relating to the system of internal control, risk management and governance within the Group;
- (d) investigate any concerns received on possible improprieties within the Group; and
- (e) Review and recommend an appropriate risk management strategy so as to ensure that business risks are effectively addressed by the Group.

### 2. Composition of AC

The AC shall be appointed by the Board from among its members and shall consist of not less than three (3) members, all of whom shall be Non-Executive Directors with majority being Independent Directors of the Company.

No alternate director should be appointed as a member of the AC.

The AC shall elect a Chairman from among its members who is an Independent Director. The Chairman of the AC is not the Chairman of the Board.

All the members should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.

At least one (1) member of the AC:

- must be a member of the Malaysian Institute of Accountants (“MIA”); or
- if he is not member of the MIA, he/she must have at least three (3) years working experience and:
  - he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - he/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967
- fulfills such other requirements prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).

Former key audit partner<sup>1</sup> shall observe a cooling-off period of at least two (2) years, i.e. with the issuance of Niche Capital Emas Holdings Berhad's audited financial statements covering a period of not less than two years and the partner was not a member of the audit team with respect to the audit of those financial statements, before being appointed as a member of the AC.

In the event that a member of the AC resigns, passes away or for any reason ceases to be a member resulting in the non-compliance with the Main Market Listing Requirements ("Listing Requirements") of the Bursa Securities pertaining to composition of AC and the election of an independent Chairman of the AC, the Board shall, within three (3) months of that event, appoint such number of new members as may be required to fill the vacancy.

The Nominating Committee and the Board shall review the terms of reference and performance of the AC and each of its members annually determine whether the AC and members have carried out their duties in accordance with the terms of references.

All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company and have not been removed from the AC by the Board.

### **3. Secretary to AC**

The Company Secretary shall be the secretary of the AC or in her absence, another person authorised by the Chairman of the AC. The Secretary of the AC shall be responsible for drawing up the agenda in consultation with the Chairman of the AC.

### **4. Meetings**

The AC shall meet at least four (4) times a year or more frequently as circumstances dictate. In addition to the regular scheduled meeting, the Chairman shall call a meeting of the AC if so requested by any member of the AC or by the Chairman of the Board.

In addition, the Chairman shall convene a meeting of the AC if requested to do so by the management of Internal or External Auditors to consider any matters within the scope and responsibilities of the AC.

The Chairman of the AC will highlight any major issues and any items requiring resolution by the Board.

The Chairman of the AC should engage on a continuous basis with senior management, such as the Chairman of the Board, executive Board members, Chief Financial Officer, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Group in a timely manner.

---

<sup>1</sup> The engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the auditor will express an opinion.

## **5. Reporting Procedures**

The agenda together with relevant explanatory papers and documents shall be circulated to the AC members at least seven (7) days prior to each meeting. The Company Secretary shall be responsible for keeping the minutes of the meeting of the AC, circulating them to all members of the Board.

## **6. Meeting Procedures**

The AC shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **7. Quorum**

In order to form a quorum (subject to a minimum number of two (2) members) for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

## **8. Attendance by Invitation**

The executive Board members, members of senior management, the Internal Auditors and the representative of the External Auditors should normally be invited to attend meetings. The AC may invite any person to be in attendance to assist in its deliberations in any particular meeting.

The AC should meet with the External Auditors and Internal Auditors in the absence of executive Board members and management at least once (1) annually.

## **9. Rights of the External Auditors**

The External Auditors have the right to appear and be heard at any meeting of the AC and their representative shall appear before the AC when required to do so by the AC.

## **10. Authority of the AC**

The AC should:

- have authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;
- have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- be able to obtain independent professional or other advice; as it considers necessary at the expense of the Company; and
- be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

## **11. Duties and Responsibilities**

In fulfilling its primary objectives in accordance with Paragraph 15.12 of the Listing Requirements, the AC shall undertake the following responsibilities and duties:

### **A. Financial Reporting**

- To review the Company's and the Group's quarterly results and annual financial statement before submission to the Board, focusing on:
  - Changes in or implementation of major accounting policies;
  - Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - Compliance with accounting standards and other legal requirements.

### **B. External Audit**

- Recommend the nomination of a person or persons as External Auditors;
- Review the appointment and performance of External Auditors, the audit fee, the terms of reference of their appointment and any question of resignation or dismissal (supported by grounds) before making recommendations to the Board;
- Review with the External Auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, their management letter and management's response and the assistance given by the Company's employees to the external auditors;

- Review the independence, suitability and objectivity of the External Auditors and their services, including professional fees, so as to ensure a proper balance between objectivity and value for money;
- Review the non-audit services provided to the Company for the financial year, including the nature of the non-audit services, fee levels of the non-audit services - individually and in aggregate relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- Assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group;
- Discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- Develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the External Auditors, which amongst others, takes into consideration:
  - whether the skills and experience of the audit firm makes it a suitable service provider for non-audit services;
  - whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity or independence in the conduct of the audit resulting from non-audit services provided by the External Auditors; and
  - the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the external audit fees of the Company.

### **C. Internal Audit**

- Review the adequacy of the scope and plan, budget, competency and resources of the Internal Auditors, and that it has the necessary authority to carry out its work;
- Ensure that Internal Auditors carry out their work according to the standards set by recognised professional bodies (such as Malaysian Institute of Accountants, Institute of Internal Auditors);
- Review internal audit plan, processes, the results of the internal audit assessment, investigation undertaken and to ensure that appropriate and prompt remedial action is taken by Management on the recommendations of the Internal Audit function;
- Review the performance of Internal Auditors, who will report functionally to the AC, on an annual basis;
- Approve any appointment or termination of Internal Auditors. Take cognisance of resignations/transfer of Internal Auditors and provide an opportunity to submit reasons for resigning; and

- Review the adequacy and effectiveness of internal control system, including management information system and the Internal Auditors' and/or External Auditors' evaluation of the said systems.

- 

#### **D. Related Party Transactions**

- To review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity.

#### **E. Audit Report**

- Review the External and Internal Audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that have been identified.
- Review major audit findings and Management's response during the financial year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations.

#### **F. Other Matters Delegated by the Board**

- Review the assistance given by the employees of the Company or Group to the External Auditors and Internal Auditors and any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information;
- Verify the allocation of option granted pursuant to Employee Share Option Scheme ("Scheme") (if any applicable) and to ensure that the allocation is in compliance with the Bye-Laws of the Scheme;
- Direct and, where appropriate, supervise any special projects or investigations considered necessary, and review investigation reports on any major defalcations, frauds and thefts
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 2016, Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- Act upon the Board of Director's request to investigate and to report to the Board any issues or concerns, activities, significant results and findings;
- Promptly report such matter to the Bursa Securities if the AC is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the AC's primary responsibilities; and
- Undertake any such responsibilities as may be agreed by the AC and the Board.

## **12. Review**

The terms of reference will be subjected to review from time to time by the AC and the Group MD/CEO, and any amendments are to be approved by the Board before becoming effective.

Terms of Reference of the AC must be made available on the Company's website.