

**TERMS OF REFERENCE  
OF THE BOARD AUDIT COMMITTEE  
OF IMASPRO CORPORATION BERHAD**

**1. CONSTITUTION**

- 1.1 The Board of Directors of Imaspro Corporation Berhad (“ICB”), in accordance with Article 99 of the Constitution of ICB, has established an Audit Committee (“AC”) on 15 November 2005.
- 1.2 The function and authority of the AC extend to ICB and all its subsidiaries (collectively referred to as “the Group”).

**2. COMPOSITION OF THE AC**

- 2.1 The members of the AC shall be appointed by the Board of Directors of ICB and shall consist of not less than three (3) members, all of whom are non-executive directors, with a majority of whom must be independent directors in accordance with the definition in Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2.2 Where the members for any reason are reduced to less than three (3), that Board shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 2.3 At least one (1) member of the AC must meet the criteria set by the Main Market Listing Requirements of Bursa Securities, i.e.:
- 2.3.1 Must be a member of the Malaysian Institute of Accountants or
- 2.3.2 If he/she is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience, and:-
- i. he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - ii he/she 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 fulfil such other requirements as prescribed or approved by the Exchange.
- 2.4 All members should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.
- 2.5 The Board shall elect a Chairman from the AC who shall be an independent director as set out in the Main Market Listing Requirements of Bursa Securities. The Chairman of the AC shall not be the Chairman of the Board.
- 2.6 All members shall hold office only for as long as they serve as directors of ICB.
- 2.7 No alternate Directors shall be appointed to the AC. The Board must review the term of office and performance of the AC and each of its members annually to determine whether the AC has carried out its duties in accordance with its terms of reference.
- 2.8 Any former key audit partners must have observed a cooling-off period of at least 2 years before one is eligible for an appointment as an AC member.

### **3. CHAIRMAN OF THE AC**

- 3.1 The following are the main duties and responsibilities of the Chairman of the AC:
- 3.1.1 to steer the AC to achieve its objectives;
  - 3.1.2 to provide leadership to the AC and ensure proper flow of information to the Committee, review adequacy and timing of documentation;
  - 3.1.3 to provide a reasonable time for discussion at the Committee meetings. Organize and present the agenda for Committee meetings based on input from Members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence;
  - 3.1.4 to ensure that consensus is reached on every Committee resolution and where considered necessary, call for a vote and the decision will be made by a simple majority. Dissenting opinions should be capture;
  - 3.1.5 to manage the process and working of the AC and ensure that the Committee discharges its responsibilities;
  - 3.1.6 to ensure that all members participate in the discussion to enable effective decisions to be made; and
  - 3.1.7 the Chairman of the AC shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

### **4. COMMITTEE MEMBERS**

- 4.1 Each AC member is expected to:-
- 4.1.1 provide independent opinions to the fact-finding, analysis and decision-making process of the Committee, based on their experience and knowledge;
  - 4.1.2 consider viewpoints of the other Committee members; and make decisions and recommendations for the best interest of the Group;
  - 4.1.3 keep abreast of the latest corporate governance guidelines in relation to the Committee and the Board as a whole; and
  - 4.1.4 continuously seek out best practices in terms of the processes utilised by the Committee, following which these should be discussed with the rest of the Committee for possible adoption.

### **5. OBJECTIVES OF THE AC**

The objectives of the AC are:

- 5.1 to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- 5.2 to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- 5.3 to improve the Group's business efficiency, the quality of the accounting and audit function and strengthening public confidence in the Group's reported financial results;
- 5.4 to maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors;
- 5.5 to ensure the independence of the external and internal audit functions; and
- 5.6 to create a climate of discipline and control which will reduce the opportunity for fraud.

## **6. AUTHORITY OF THE AC**

The AC is authorised by the Board in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company to:

- 6.1 have the authority to investigate any matter within its Terms of Reference, or as directed by the Board of Directors;
- 6.2 have the resources which are required to perform its duties, including approving the budget for the external and internal audit functions;
- 6.3 have full and unrestricted access to any information pertaining to the Company or the Group;
- 6.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 6.5 direct the Internal Audit Function in the Group;
- 6.6 approve the appointment of the Head of Internal Audit;
- 6.7 be able to obtain external/independent professional or other advice at a cost to be approved by the Board of Directors and to invite outsiders with relevant experience to attend, if necessary;
- 6.8 to review the adequacy of the structure and Terms of Reference of the Board Committees, including the AC;
- 6.9 to 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.

## **7. FUNCTIONS OF THE AC**

The functions and responsibilities are as follows:

- 7.1 Corporate Financial Reporting
  - 7.1.1 To review and recommend acceptance or otherwise of accounting policies, principles and practices.
  - 7.1.2 To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
    - i. any changes in or implementation of new accounting policies;
    - ii. significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
    - iii. compliance with accounting standards and other legal requirements.
  - 7.1.3 To review with management and the external auditors the results of the audit, including any difficulties encountered.
- 7.2 Enterprise-wide Risk Management
  - 7.2.1 To review the critical risk identify by management; oversee the execution of the process and ensure it is continuously improved as the business environment changes.

- 7.2.2 To review the risk management framework, risk management policies and procedures proposed by the management and recommend to the Board for approval.
  - 7.2.3 Oversee the conduct and review the results of company-wide risk assessments, including the identification and reporting of critical risks from management which enable the AC to assess the risks involved in the Group's businesses and how they are controlled and monitored by management.
  - 7.2.4 To review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the ICB Group.
  - 7.2.5 To ensure that the principles and requirements of managing risk are consistently adopted throughout the ICB Group.
  - 7.2.6 To deliberate on the key risk issues highlighted by management in their reports to AC.
  - 7.2.7 To provide timely input to management on critical risk issues and engage management in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise.
  - 7.2.8 Oversee the management of certain risks, with regard to the complexity and significance of these risk exposures.
  - 7.2.9 To provide advice to the Board on risk strategies and coordinate the activities of the various standing Board committees for risk oversight.
  - 7.2.10 To review and recommend the principles, frameworks and policies for managing risks within the Group, for consideration and approval by the Board.
  - 7.2.11 To review and approve the procedures and guidelines for managing risks within the Group.
  - 7.2.12 Review the contents and executions of the Anti-bribery and Anti-Corruption reported information at regular intervals and order a regular review (at least once every 3 years) of the Anti-Bribery and Anti-corruption Policy to ensure it up to date.
  - 7.2.13 Ensure the Management has adequate and appropriate resources needed for the effective operation of the Anti-Bribery and Anti-corruption Management System are allocated to fulfil and comply with the Anti-Bribery and Anti-corruption Policy.
- 7.3 Internal Control and Risk Management
- 7.3.1 To assess the quality and effectiveness of the systems of internal control, risk management and the efficiency of the Group's operations.
  - 7.3.2 To review the findings on internal control in the Group by Internal and External Auditors.
  - 7.3.3 To review and approve the Statement on Risk Management and Internal Control and Corporate Governance Overview Statement for inclusion to the Annual Report as required under Main Market Listing Requirements of Bursa Securities.
  - 7.3.4 To identify Corporate Liability risks including bribery risks, corruption risks and compliance risks.
  - 7.3.5 To monitor the Risk Control Measures of Corporate Liabilities Risks identified.

#### 7.4 Internal Audit

- 7.4.1 To approve the Corporate Audit Charters of internal audit functions in the Group.
- 7.4.2 To ensure that the internal audit functions have appropriate standing in the Group and have the necessary authority and resources to carry out their work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.
- 7.4.3 To review internal audit reports, processes, the results of the internal audit assessments, investigation undertaken and management's response and whether or not appropriate actions is taken on the recommendations. Where actions are not taken within an adequate timeframe by management, the AC will report the matter to the Board.
- 7.4.4 To review the adequacy of internal audit plans and the scope of audits, functions, competency and resources of the internal audit functions and that it has the necessary authority to carried out its work.
- 7.4.5 To be informed of resignations and transfers of senior internal audit staff and provide resigning/transferred staff an opportunity to express their views.
- 7.4.6 To direct any special investigation to be carried out by the internal audit function.
- 7.4.7 The Company must establish an internal audit function which is independent of the activities it audits.
- 7.4.8 The Company must ensure its internal audit function reports directly to the AC.
- 7.4.9 To review any appraisal or assessment of the performance of members of the internal audit function.
- 7.4.10 To consider and make recommendations to the Board in relation to the appointment and resignation of the Internal Auditor.

#### 7.5 External Audit

- 7.5.1 To nominate the External Auditors together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any questions of resignation or termination.
- 7.5.2 To review external audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the AC will report the matter to the Board.
- 7.5.3 To review External Auditor's audit plans scope of work and evaluation of the system of internal control.
- 7.5.4 To review and monitor the suitability of the External Auditor.
- 7.5.5 To carry out an annual review of the performance of the external Auditor, including assessment of the independence of External Auditor in the performance of their obligations as External Auditors.
- 7.5.6 Establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors.
- 7.5.7 To review any resignation from the External Auditors of the Company.
- 7.5.8 To review whether there is a reason (supported by grounds) to believe that the company's External Auditors are not suitable for re-appointment.
- 7.5.9 To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss without the presence of the Executive Directors and management.

## 7.6 Corporate Governance

- 7.6.1 To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- 7.6.2 To review the findings of any examinations by regulatory authorities.
- 7.6.3 To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 7.6.4 To review the Corporate Governance Overview Statement for the Annual Report and Corporate Governance Report as required under the Main Market Listing Requirements of Bursa Securities.
- 7.6.5 To review the investor relations programme and shareholder communications policy for the company.
- 7.6.6 To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.
- 7.6.7 To develop and regularly review ICB's Code of Corporate Governance and Business Ethics.
- 7.6.8 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 Main Market Listing Requirements of Bursa Securities, the AC must promptly report such matters to Bursa Securities.

## 8. PROCEDURE OF AC MEETINGS

### 8.1 Frequency of Meetings

The AC shall convene meetings as and when required, and at least four (4) times during the financial year of ICB. The number of the AC meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the Annual Report.

### 8.2 Calling

The AC, Chairman of the Committee, or the Secretary on the requisition of any members, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any member for the time being absent from Malaysia.

The AC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the AC members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting. A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates.

### 8.3 Notice

Except in the case of an emergency, a notice of every meeting shall be given in writing to all its members at least five (5) business days before the meeting. A notice of each meeting shall be served to its member either personally or by fax or by post or by courier or by e-mail or other electronic means provided by the AC.

#### 8.4 Quorum

No business shall be transacted at any meeting of the AC unless a quorum is present. The quorum for each meeting shall be two (2) members present in person whom are independent directors.

#### 8.5 Attendance

- (a) The Chairman of the AC shall chair the Committee meetings and in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.
- (b) The Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the head of internal audit shall normally attend meetings but may be asked to leave a meeting as and when deemed necessary by the Committee. Non-member directors shall not attend unless specifically invited to by the Committee. However, the Committee should meet with the External Auditors and Internal Auditors or both without executive board members present at least twice a year.

#### 8.6 Voting

- (a) A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.
- (b) The AC member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the Committee has the right to make up a quorum, the Committee has the right to appoint another Director(s), which meets the membership criteria.
- (c) All recommendations of the AC shall be submitted to the Board for approval.
- (d) The AC, through its Chairman, shall report to the Board after each meeting.

#### 8.7 Resolution

A resolution in writing signed or approved by letter or telefax or other electronic means by the members of the AC who may at the time be present in Malaysia 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 Committee duly called and constituted. Any such resolution may be executed in any number of counterparts, each signed by one or more members of the AC all of which taken together and when delivered to the Secretary of the AC shall constitute one and the same resolution.

### **9. SECRETARY OF THE AC**

- 9.1 The Secretary of the AC shall be the Company Secretary.
- 9.2 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the AC. The Agenda shall be sent to all members of the AC at least five (5) business days before each meeting together with the relevant papers.
- 9.3 The Secretary shall also be responsible for keeping the minutes of meetings of the AC, and circulating them to Committee members and to the other members of the Board of Directors.

- 9.4 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by the members of the Board, External Auditors, Internal Auditors, and other persons deemed appropriate by the Company Secretary.

## **10. DISCLOSURE**

- 10.1 The AC shall assist the Board in making disclosures concerning the activities of the AC and the activities of the internal audit function or activity, in the report of the AC, to be issued in the Annual Report.
- 10.2 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the AC with a copy to the Company Secretary.

## **11. REVISION OF THE TERMS OF REFERENCE**

- 11.1 Any revision or amendment to the Terms of Reference, as proposed by the AC or any third party, shall be presented to the Board for its approval.
- 11.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

(Revised on 26 August 2020)