



**AXIS REIT MANAGERS BERHAD (649450-W)**  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**Constitution**

The Audit Committee (“Committee”) is a board committee established by the Board of Directors of the Company, as management company (“Manager”) of Axis Real Estate Investment Trust (“Axis-REIT”) primarily tasked with the delegated responsibilities to assist the Board of Directors in overseeing the financial reporting, risk management and internal control systems, external and internal audit functions, conflict of interest situations and related party transactions pertaining to Axis-REIT and the Manager (where applicable).

**Membership**

1. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Manager and shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.
2. At least one (1) 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 -
    - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
3. No alternate director shall be appointed as a member of the Committee.
4. The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
5. The Company Secretary or such other person(s) authorized by the Board of Directors shall act as the Secretary to the Committee.
6. If a member of the Committee resigns, dies or for any other reason ceases to be a member resulting in the number of members to be reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

*Terms of Reference of the Audit Committee (Cont'd)*

7. The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee of the Board and the Board of Directors on an annual basis, in order to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

**Meetings and Minutes**

8. The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
9. The Committee shall request the Company Secretary to issue the notice convening the meeting of the Committee to all the members of the Committee and invitees (if any) together with the agenda of the meeting.
10. The quorum for the meeting of the Committee shall be two (2) members, a majority of whom must be Independent Directors. In the absence of the Chairman of the Committee, the remaining members present shall elect one (1) of their members as chairman of the meeting.
11. Other than in circumstances which the Chairman of the Committee considers inappropriate, the Chief Executive Officer, Chief Financial Officer or other key senior management personnel and where applicable, the representatives of the external auditors and internal auditors will normally attend the meetings of the Committee to present their reports and assist in the consideration of issues or matters pertaining to Axis-REIT and/or the Manager (if applicable). Other Board members, employees and external professional advisers/consultants shall attend any particular meetings upon invitation by the Committee only.
12. Decisions of the Committee shall be determined by a majority of votes of members present and in the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. Save for where only two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present or at which only two (2) members are competent to vote on the matters deliberated, shall not have a casting vote.
13. The Committee shall report to the Board of Directors its recommendations, proposals, activities and decisions, where appropriate. The Committee's minutes of meetings shall be tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Manager at the registered office of the Manager or the principal place of business of the Manager, and shall be open for inspection by any member of the Committee and the Board of Directors. The minutes of the Committee shall also be relied upon for internal or external audit purposes. As for other purposes not herein stated, the minutes of the Committee may only be released to the relevant requesting party at the consent of the Committee.

*Terms of Reference of the Audit Committee (Cont'd)*

14. A circular resolution in writing signed by a majority of the members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Committee. Any such document which may be transmitted via facsimile or technological means shall be accepted as the resolution of the Committee sufficiently signed by the member(s).
15. Any member of the Committee may participate in any meeting of the Committee via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

**Authority**

16. The Committee is authorized by the Board of Directors to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to Axis-REIT and/or the Manager (if required) and shall have the resources (at the cost of Axis-REIT and/or Manager, as the case may be) it requires to perform its duties. The Management and all employees of the Manager are required to comply with the requests by the Committee, which are made in the furtherance and discharge of the Committee's functions and duties.
17. The Committee is authorized by the Board of Directors to obtain outside legal or external independent professional advice or other advisory services and secure the attendance of such party(ies) with relevant experience and expertise if it considers necessary, at the meeting of the Committee, the expenses of which will be borne by the Manager and/or Axis-REIT, where applicable.
18. The Committee shall have direct communication channels with the external auditors and internal auditors.
19. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and Management, whenever deemed necessary. This is in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matters pertaining to Axis-REIT or the Manager (if any), which the external auditors or internal auditors may wish to bring up to the attention and knowledge of the Committee.

**Functions and Duties**

20. The Committee shall, amongst others, discharge the following functions and duties:
  - (a) Review the following and report the same to the Board of Directors:

*Terms of Reference of the Audit Committee (Cont'd)*

- with the external auditors, the audit plan of Axis-REIT, the nature and scope of work and ascertain that it will meet the needs of the Board of Directors, the unitholders of Axis-REIT and the regulatory authorities;
- with the external auditors, their evaluation of the quality and effectiveness of the entire accounting system and the adequacy and integrity of the internal control system of the Manager and/or Axis-REIT;
- with the external auditors, their audit report including but not limited to the identification and assessment of the key audit matters;
- the assistance given by management to the external and internal auditors;
- the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- the internal audit plan, scope and results of the internal audit plan, processes, observations, major findings of internal investigation and management's responses and whether or not appropriate action is taken on the recommendations of the internal audit function;
- the quarterly financial results and annual financial statements of Axis-REIT prior to the approval by the Board of Directors, focusing particularly on:
  - i. changes in or implementation of major accounting policies and practices;
  - ii. significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - iii. compliance with accounting standards, going concern assumption and other legal and regulatory requirements;
  - iv. the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of Axis-REIT;
- any related party transactions and conflict of interest situations that may arise within the Manager and/or Axis-REIT including any transaction, procedure or course of conduct that raises questions of management integrity;
- any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors or internal auditors and the agreed course of action or remedial processes to rectify such problems; and

*Terms of Reference of the Audit Committee (Cont'd)*

- the risk environment of the Manager and/or Axis-REIT, its risk management framework and the overall internal control systems of the Manager and/or Axis-REIT.
- (b) Review the Audit Committee Report and Statement on Risk Management & Internal Control for recommendation to the Board of Directors for approval.
- (c) Ensure that the internal audit function reports directly to the Committee and the said internal audit function shall have direct access to the Chairman of the Committee on all internal audit matters pertaining to Axis-REIT or the Manager (if necessary).
- (d) Recommend for Board's approval, the nomination of a person or persons as external auditors or internal auditors and their proposed audit fees, review or appraise the performance of the external auditors and internal auditors (where necessary) in determining their suitability for re-appointment or re-engagement, and to discuss issues relating to the resignation or dismissal of external auditors or internal auditors (if any).
- (e) Consider and approve the non-audit service(s) to be provided by the external auditors subject to the confirmation from the external auditors that such non-audit service(s) pose no threat to the independence of the external auditors.
- (f) Promptly report to the Exchange on any matter reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Exchange.
- (g) Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which will be beneficial to Axis-REIT and/or the Manager and which will ensure the effective discharge of the Committee's duties and responsibilities.

*Last updated on: 5 February 2013  
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