



PROGRESSIVE IMPACT CORPORATION BERHAD TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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1. Composition of the Audit Committee (“AC”)

- 1.1 The AC shall be appointed by the Board of Directors of the Company (“Board”) from amongst their members and shall consist of at least three (3) members.
- 1.2 All AC members must be Non-Executive Directors, with a majority of them being Independent Directors.
- 1.3 At least one (1) member of the AC:-
 - (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) if he is not a member of the MIA, he must have at least 3 years’ working experience and:-
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountant Act 1976; or
 - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 1.4 The members of the AC shall elect a Chairman from amongst its members who shall be an Independent Director.
- 1.5 The Chairman of the Board shall not be a member of the AC.
- 1.6 No former partner of the external audit firm of the Company shall be appointed as a member of the AC before observing a cooling-off period of at least three (3) years. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.).
- 1.7 No alternate Director shall be appointed as a member of the AC.
- 1.8 In the event of any vacancy in an audit committee resulting in the non-compliance of paragraphs 1.1 and 1.4 above, the Board shall take necessary steps to fill in the vacancy within three (3) months of the event.
- 1.9 The Board may from time to time and in its absolute discretion, revise the composition, roles and responsibilities of the AC.

2. Duties and Responsibilities of the AC

The AC shall undertake the following duties and responsibilities:-

2.1 Financial Reporting and Processes

- (a) Review quarterly results and year-end financial statements of the Company, prior to approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policies
 - (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) the going concern assumption, and

- (iv) compliance with accounting standards and other legal/regulatory requirements
- (b) Review the accuracy and adequacy of the disclosure of information in the financial statements taken as a whole and form a view of the Company's financial position and performance.
- (c) Ask questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.
- (d) Understand non-financial information which is relevant in assisting the AC to gain further insights on the Company's performance and enhance the integrity of financial reporting.

2.2 Internal Control

- (a) Review on the effectiveness of the Company's internal financial controls and the timeliness of, and reports on, the effectiveness of corrective or remedial actions taken by Management.
- (b) Review and approve the Statement on Risk Management and Internal Control which forms part of the Annual Report.

2.3 External Auditors

- (a) Review with the external auditors, their report and findings of their audit including but not limited to:
 - (i) discussion of any significant issues which arose during the audit;
 - (ii) any accounting and audit judgements;
 - (iii) the level of errors identified during the audit;
 - (iv) the basis for the going concern assumption; and
 - (v) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements.
- (b) Review the following with the external auditors and report the same to the Board on:-
 - (i) the audit plan, its scope and nature, including any changes to the scope of the audit plan;
 - (ii) the external auditors' evaluation of the system of internal controls;
 - (iii) the assistance given by the employees and Management to the external auditors, including any difficulties or disputes encountered during audit; and
 - (iv) the external auditors' management letter and management's response thereto, including the status of previous audit recommendations.
- (c) Meet with the external auditors, once at the planning stage before the audit and once after the audit at the reporting stage. The AC shall meet the external auditor at least twice a year, without Management being present to discuss their remit and any issues arising from the audit.
- (d) Review the audit approach, adequacy of the scope, competency and resources of the external auditors to carry out their work.
- (e) Review the following and report to the Board:-

- (i) any letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
 - (ii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- (f) Establish policies and procedures to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of audited financial statements.
 - (g) Conduct an annual evaluation on the performance of the external auditor and undertaking follow-up measures, where required.
 - (h) Obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements.
 - (i) Review the appropriateness of audit fees to support a quality audit.
 - (j) Review the non-audit services provided by the external auditors and/or its affiliate firms to the Company and its subsidiaries for the financial year, including the nature of the non-audit services, fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.

2.3 Internal Auditors

- (a) Review the adequacy of the scope, competency and resources of the internal audit function (including the name and qualification of the person responsible for the internal audit function) and that it has the necessary authority to carry out its work.
- (b) Review the internal audit plan, processes, result of the internal audit assessments and investigations undertaken and whether or not appropriate actions are taken on the recommendations and monitor Management's implementation of the recommended actions.
- (c) Conduct a performance evaluation of the internal audit function annually.
- (d) Review whether the internal audit function is carried out in accordance with a recognised framework.
- (e) Review the internal audit plan, programme, processes, and the reporting structure to ensure the internal audit function is independent of the activities it audits and reports directly to the AC.
- (f) Review any letter of resignation from internal auditors and provide the internal auditors an opportunity to submit reasons for resigning.
- (g) Review the assistance given by the employees and Management to the internal auditors, including any difficulties or disputes encountered during internal audit.
- (h) Meet the internal auditors at least twice a year, without Management being present to discuss their remit and any issues arising from the internal audits carried out. In addition, the internal auditors shall be given the right of direct access to the Chairman of the Board and the AC.

2.4 Related Party Transactions and Conflict of Interest

Review any related party transactions and conflict of interest situation that arose, persist or may arise within the Company and/or its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts.

2.5 Others

- (a) Review the Whistleblowing Policy and the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- (b) Report to Bursa Securities promptly on any matter reported by the AC to the Board which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities.
- (c) Review, assess and oversee the Company's Anti-Bribery and Corruption Policy to ensure its adequacy and effectiveness is in line with the Company's commitment as well as its mission, vision, strategies and business objectives.
- (d) Carry out any other functions or investigations that may be directed by the Board.

3. **The AC's requirement of the Group Chief Financial Officer ("Group CFO")**

The AC shall require the Group CFO of the Company to be a member of the MIA.

4. **Meeting Procedures**

4.1 **Frequency of Meetings**

At least four (4) meetings are held in a year. Additional meetings may be held as and when required or upon the request of the external auditors to consider any matters that the external auditors believe should be brought to the attention the Directors and/or shareholders.

4.2 **Venue and Participation**

- (a) 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.
- (b) The technology to be used for the purpose of this paragraph must enable each AC member taking part in the meeting to communicate simultaneously with each of the other AC members and may include telephone, television, video conferencing, or any other audio including visual device which permits instantaneous communication.
- (c) A virtual AC meeting shall be deemed constituted provided the following conditions are met:-

- (i) all the present AC members entitled to receive notice of the AC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of information technology (or in such other manner) as may be permitted by the Constitution of the Company; and
 - (ii) an AC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously notified the Chairman of the meeting of his/her intention to leave the meeting and an AC member shall be conclusively presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his/her leaving the meeting.
- (d) The main venue of the meeting shall be the place where the Chairman is.

4.3 Notice

- (a) The Secretary, with the concurrence of the Chairman, shall be responsible for drawing up and circulating the agenda and the notice of AC meetings.
- (b) The notice of the AC meetings and meeting materials shall be circulated at least five (5) business days, or shorter notice where it is unavoidable, prior to each meeting to members of the AC.
- (c) Notice of meetings shall be given in writing and served to the AC member either personally or by email, fax, post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the AC member, as the case may be.

4.4 Quorum

- (a) In order to form a quorum for the meeting, the majority of the members present must be Independent Directors.
- (b) In the absence of the Chairman or if he/she is not present at any AC meeting, the AC members present shall elect one (1) of their members of whom is an Independent Director to be the Chairman of the meeting.

4.5 Attendance

The AC may extend an invitation to the internal auditors, external auditors, other Board members and Management to attend AC meetings as it deems necessary.

4.6 Voting

- (a) Each member of the AC is entitled to one (1) vote in deciding the matters deliberated in the meeting.
- (b) Resolutions arising from questions raised at any meeting of the AC must be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman has a second or casting vote.
- (c) An AC member shall abstain from discussion or deliberations during the meeting of any matter which gives rise to an actual or perceived conflict of interest situation for the AC member.

4.7 Keeping of Minutes

- (a) The Company shall cause minutes of all proceedings of the AC meeting to be entered in the books kept for that purpose.

- (b) Minutes of previous meeting signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates. The minutes of all AC meetings shall be circulated to members of the Board.
- (c) Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any of the AC members or Board members.

5. Written Resolution

- 5.1 The AC is also allowed to carry out their resolutions by way of a written resolution. A written resolution that is signed in accordance with the quorum that is required by an AC meeting shall be valid and effectual as if it were a resolution duly passed at an AC meeting duly convened and held.
- 5.2 Any such resolution may consist of several documents in like form, each signed by one or more of the AC members. Any such document may be accepted as sufficiently signed by a member of the AC if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the AC member.

6. Power and Authority of the AC

The AC shall, in accordance with the procedures determined by the Board and at the cost of the Company:-

- (a) have authority to investigate any matter within its Terms of Reference
- (b) have the resources which the AC requires to perform its duties
- (c) have full and unrestricted access to any relevant information pertaining to the Company
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity
- (e) be able to obtain independent professional or other advice, and
- (f) be able to convene meetings with the external auditors, person(s) carrying out the internal audit function or activity or both, without the attendance of other Directors and employees of the Company, whenever deemed necessary.

7. Secretary

The Company Secretary of the Company or such substitute as appointed by the Directors or the AC from time to time shall act as the Secretary of the AC.

8. Reporting and Operations of the AC

- 8.1 The AC shall take into consideration the following policies in the discharge of its duties and responsibilities:-
 - (a) Policy on External Auditors
 - (b) Whistleblower Policy
 - (c) Anti-Bribery and Corruption Policy, and
 - (d) Code of Conduct
- 8.2 The Chairman of the AC shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and present the recommendations of the AC to the Board accordingly.
- 8.3 The Chairman of the AC shall engage on a continuous basis with Senior Management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company and/or its subsidiaries.

- 8.4 The AC shall issue an AC Report as part of the Annual Report of the Company, which shall include a summary of the work of the AC in the discharge of its functions and duties for that financial year under reporting and how it has met its responsibilities.
- 8.5 The AC shall also provide the relevant information and review all reports and statements under the purview of the AC to assist the Board in making the required disclosures in the Annual Report and Corporate Governance Report.
- 8.6 The AC shall conduct an annual assessment of its own performance. The Nomination Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with this Terms of Reference and report to the Board accordingly.
- 8.7 The AC shall review this Terms of Reference periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities and recommend any changes it considers necessary to the Board.

The Terms of Reference of AC shall be available on the Company's website at www.picorp.com.my.

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