

# SUNWAY BERHAD

## TERMS OF REFERENCE OF AUDIT COMMITTEE

### 1. MEMBERSHIP

- 1.1 The Audit Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 1.2 All members of the Committee must be independent Directors as defined in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).
- 1.3 The members of the Committee should be financially literate and shall include at least one (1) person:-
  - (a) who is a member of the Malaysian Institute of Accountants; OR
  - (b) who must have at least three (3) years’ working experience and:
    - (i) have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (ii) is a member of one (1) of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967; OR
  - (c) who must have at least three (3) years’ post qualification experience in accounting or finance and:
    - (i) has a degree/masters/doctorate in accounting or finance; or
    - (ii) is a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; OR
  - (d) who must have at least seven (7) years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 1.4 No Alternate Director shall be appointed as a member of the Committee.
- 1.5 No former key audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least two (2) years.
- 1.6 The members of the Committee shall elect a Chairman from amongst their number, who shall be an independent director. The Chairman of the Committee shall not be the Chairman of the Board.
- 1.7 If a member of the Committee resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraphs 1.1, 1.2 or 1.3 above, the Board must fill the vacancy within three (3) months.

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- 1.8 The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually. However, the appointment terminates when a member ceases to be a Director.

### **2. MEETINGS**

- 2.1 The quorum for a Committee Meeting shall be at least two (2) members present.
- 2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- 2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.5 The non-member Directors and employees of the Company and of the Group shall normally attend the meetings at the Committee's invitation, to assist in its deliberations and resolutions of matters raised. However, at least twice a year, the Committee should meet with the External Auditors without the presence of the executive board members.
- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow-up on all relevant decisions made.
- 2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.9 In addition to the availability of detailed minutes of the Committee Meetings to the Board, the Committee at each Board Meeting, will report a summary of significant matters and resolutions.

### **3. RIGHTS AND AUTHORITY**

The Committee is authorised to:-

- 3.1 Investigate any matter within its terms of reference.

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- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 3.4 Have direct communication channels with the External and Internal Auditors.
- 3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.
- 3.6 Convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

## **4. FUNCTIONS AND DUTIES**

- 4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 4.2 To formulate corporate governance and integrity policies, regulations and procedures and to monitor their compliance as well as to recommend and report to the Board, where necessary.
- 4.3 To review the following and report the same to the Board:-
  - (a) With the External Auditors:
    - (i) the audit plan and audit report and the extent of assistance rendered by employees of the Company;
    - (ii) their evaluation of the system of internal controls;
    - (iii) the audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as External Auditors;
    - (iv) the management letter and management's response;
    - (v) issues and reservations arising from audits; and
    - (vi) assess their suitability, objectivity and independence annually.
  - (b) With the Internal Audit Department:
    - (i) the adequacy and relevance of the scope, functions, competency and resources of the internal audit function as well as its budget and the necessary authority to carry out its work;

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- (ii) the audit plan of work programme and results of internal audit processes including recommendations and actions taken;
    - (iii) the extent of cooperation and assistance rendered by employees of the Company; and
    - (iv) the appraisal of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment and termination.
  - (c) The quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on:-
    - (i) changes in and implementation of major accounting policies and practices;
    - (ii) significant and unusual issues;
    - (iii) going concern assumption; and
    - (iv) compliance with accounting standards, regulatory and other legal requirements.
  - (d) The major findings of investigations and management response.
  - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.4 To review and recommend for the Board's approval, the provision of non-audit service by the External Auditor and to ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the External Auditors.
- 4.5 To report any breach of the Listing Requirements which has not been satisfactorily resolved, to Bursa Malaysia Securities Berhad.
- 4.6 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:-
- (a) the composition of the Committee including the name, designation and directorship of the members;
  - (b) the number of meetings held during the financial year and details of attendance of each member;

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- (c) a summary of the activities of the Committee in the discharge of its functions and duties for that financial year; and
  - (e) a summary of the activities of the internal audit function.
- 4.7 To review the following for publication in or together with the Company's Annual Report as well as to review the Annual Report and recommend for the Board's approval:-
- (a) the corporate governance disclosure in the following reports:
    - (i) Corporate Governance Statement which provides an overview of the application of the Practices set out in the Malaysian Code of Corporate Governance ("MCCG") in the Company's Annual Report; and
    - (ii) Corporate Governance Report which discloses the Company's application or departure of the Practices set out in the MCCG during the financial year in the prescribed format as provided by Bursa Malaysia Securities Berhad.
  - (b) the statement on the Board's responsibility for the preparation of the annual audited financial statements.
  - (c) the disclosure statement on the state of the risk management and internal controls of the Company and of the Group.
  - (d) the statement by the Committee on the verification of allocation of share options to the Group's eligible employees in compliance with the criteria set out in the Bye-Laws of the Company's Employees' Share Option Scheme, at the end of each financial year (if applicable).
  - (e) other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

## **5. INTERNAL AUDIT DEPARTMENT**

- 5.1 The Head of the Internal Audit Department shall have unrestricted access to the members of the Committee and shall report to the Committee, whose scope of responsibility includes overseeing the development and the establishment of the internal audit function.
- 5.2 In respect of routine administrative matters, the Head of Internal Audit Department shall report to the Executive Chairman or his designate.