

**ANCOM NYLEX BERHAD**  
**(Formerly known as ANCOM BERHAD)**  
**Registration No.: 196901000122 (8440-M)**  
**(Incorporated in Malaysia)**

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **COMPOSITION**

The Audit Committee ("Committee") shall be appointed by the Board of Directors of the Company ("Board") from amongst its members. It shall comprise at least three (3) members, all of whom must be Non-Executive Directors, with a majority being Independent Directors as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The Chairman of the Board shall not be a member of the Committee. No Alternate Director can be appointed as a member of the Committee.

All members of the Committee should be financially literate and at least one must be a member of the Malaysian Institute of Accountants or fulfil the requirements under Paragraph 15.09(1)(c)(ii) and (iii) of the Listing Requirements. All members of the Committee should undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

Former partners of the external audit firm and/or affiliate firm (including those providing advisory services, tax consulting etc.) must observe a cooling-off period of at least three (3) years before they can be appointed as members of the Committee. This is to avoid potential conflicts of interest, as a former audit partner may be in a position to exert significant influence over the audit and preparation of the Group's financial statements.

The Chairman of the Committee shall be elected from amongst the members of the Committee who must be an Independent Director ensuring the overall effectiveness and independence of the Committee.

In the event of any vacancy in the Committee or the office of Chairman of the Committee resulting in less than three (3) members, the Board shall, within three (3) months of that event fill the vacancy. All members of the Committee, including the Chairman, shall hold office until otherwise determined by the Board.

### **SECRETARY**

One of the Company Secretaries shall be the Secretary of the Committee. The Secretary, in consultation with the Chairman of the Committee, will be responsible for determining the agenda for each Committee meeting. The Secretary will also be responsible for keeping proper records, including the minutes and resolutions of the Committee.

### **OBJECTIVES**

The Committee serves to assist the Board in fulfilling its fiduciary responsibilities by providing an oversight on:

1. the accounting and financial reporting processes of the Company and its subsidiaries ("Group");
2. the integrity of the Company's and the Group's financial statements;
3. the Group's compliance with applicable legal and regulatory requirements;
4. the adequacy and effectiveness of the Group's risk management framework, system of internal control and management information system;

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5. the allocation of options to the eligible Executive Directors, Group CEO and employees of the Group in compliance with the approved allocation criteria pursuant to the Company's Employees' Share Option Scheme;
6. the implementation of the Group's Anti-Bribery and Anti-Corruption Policy and Whistle-Blowing Policy;
7. the conflict of interest situations and related party transactions; and
8. the maintenance of open channels of communication among management of the Company, the External Auditors and the Board.

**GENERAL MEETINGS**

The Chairman of the Committee shall attend the general meetings of the Company to provide explanation or responses to questions relating to the Committee's activities.

**FUNCTIONS**

1. The duties and responsibilities of the Committee include the following:

**A. EXTERNAL AUDIT**

- (i) To consider and recommend to the Board on the appointment or re-appointment of External Auditors and fix their audit fee after assessing their independence and capabilities as well as the effectiveness of the external audit process in accordance with the External Auditors Assessment Policy;
- (ii) To review the following and report to the Board:
  - (a) 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 to the resignation made by the External Auditors, if applicable; and
  - (b) whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- (iii) To review the following with the External Auditors and report the same to the Board:-
  - (a) the audit scope and plan;
  - (b) evaluation of the quality and effectiveness of the accounting system;
  - (c) evaluation of the system of internal controls;
  - (d) audit report;
  - (e) the assistance given by the employees to the External Auditors, including any difficulties or disputes with Management encountered during audit;
  - (f) coordination of audit works with reference to the internal audit plans and reports;
  - (g) External Auditors' management letter and management's response thereto; and
  - (h) any significant audit findings, reservations, or material weaknesses reported by the External Auditors.
- (iv) To review the quarterly results and year-end financial statements of the Group, before the approval of the Board, focusing particularly on:-
  - (a) changes in or implementation of major accounting policy changes;
  - (b) significant matters highlighted including financial reporting issues, judgement made by Management, significant and unusual events or transactions and how these matters are addressed;
  - (c) appropriateness of going concern assumptions used in preparation of financial statements; and
  - (d) compliance with applicable approved financial reporting standards and other legal requirements;

- (v) To assess the suitability, objectivity and independence of the External Auditors by conducting annual assessment and report the findings and observation to the Board.

## **B. INTERNAL AUDIT**

- (i) To ensure the internal audit function is effective and independent of the activities it audits;
- (ii) To ensure the internal audit function is carried out in accordance with a recognised framework;
- (iii) To review the following with the Internal Auditors and report to the Board:
  - (a) the internal audit plan, programme, processes, and the reporting structure;
  - (b) the scope, competency and resources of the internal audit function, ensuring it has the necessary authority to carry out its work;
  - (c) the findings of the internal audit reports, investigations undertaken and whether or not appropriate actions are taken on the recommendations; and
  - (d) any findings of special internal audit investigations which the Committee deems necessary and Management's response.
- (iv) To review the appraisal or assessment of the performance of the internal audit function on an annual basis;
- (v) To review and recommend to the Board the budget for the internal audit function;
- (vi) To ensure that the Internal Auditors report directly to the Committee. However, on a day-to-day basis, the Committee may select a representative to liaise with the Head of Internal Audit;
- (vii) To review and report to the Board any related party transactions 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; and
- (viii) To carry out ad-hoc reviews of other areas where there is a concern that affects financial reporting or a threat on the safeguarding of the Group's assets.

## **C. RISK MANAGEMENT**

- (i) To ensure that there is an appropriate risk management framework to identify, analyse, assess, manage and monitor significant financial and non-financial risks of the Group;
- (ii) To review the Group's risk management framework, policies and processes, which include identifying, managing, monitoring, treating and mitigating significant risks of the Group, and recommend for approval by the Board;
- (iii) To review the key risks and/or other risk areas (including risks of corporate liabilities) and assess the mitigating actions put in place to manage these risks; and
- (iv) To review the adequacy of infrastructure, resources and systems for managing the risk management and compliance matters.

## **D. WHISTLE-BLOWING AND OTHERS**

- (i) To receive, retain, investigate and act on complaints and concerns of employees of the Group and members of the public who raise genuine concerns of any wrongdoing or improper conduct involving the Group and its Directors, managers or employees in accordance with the Company's Whistle-Blowing Policy; and
- (ii) To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

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2. The Chief Financial Officer, the representative(s) of the Internal Auditors and External Auditors should attend all Audit Committee meetings where required. The Committee may also invite other Director, any member of Management or consultants to attend its meetings to assist and provide pertinent information as necessary. The Committee is to convene meetings with the External Auditors or Internal Auditor(s), or both, excluding other Directors and employees of the Company and the Group whenever it deems necessary.
3. The Chairman of the Committee should engage regularly with senior management such as the Executive Chairman, and/or the Group Chief Executive Officer (or equivalent), the Chief Financial Officer, the Head of the Integrity Unit and other senior operating staff, the Internal Auditors and External Auditors in order to be kept informed of matters affecting the Company and the Group.
4. In discharging the functions as stated in (1) above, the Committee shall have, at the cost of the Company:
  - (i) explicit authority to investigate any matter within its Terms of Reference;
  - (ii) all the resources that are required to perform its duties;
  - (iii) full and unrestricted access to any information pertaining to the Group;
  - (iv) direct communication channels with the External and Internal Auditors, and the ability to convene meetings at its discretion with either or both of the above, without the attendance of other Directors, management or employees of the Group; and
  - (v) the authority to obtain independent professional or other advice and to secure the attendance of any persons with relevant experience and expertise if it considers necessary.

**MEETINGS**

The Committee shall meet at least every quarter. Additional meetings can be called by the Board of Directors or upon the request of any member of the Committee, the External Auditors or the Internal Auditors and/or at the Chairman's discretion.

The quorum for a Committee meeting shall be two (2) members, both of whom must be Independent Directors. The meeting agenda shall be sent to all Committee members and any other persons required to attend the meeting at least seven (7) days in advance unless such requirement is waived by the Committee members.

Each Committee member shall have one vote. Decisions of the Committee will be made by a majority vote. In the case of an equality of votes, the Chairman, or if he is absent, the Chairman of the meeting elected from amongst the Committee members attending the meeting, shall have a second and casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman will not have the second or casting vote.

The attendance of other Directors and/or employees of the Group at any particular Committee meeting shall only be at the invitation of the Committee members, and such invitation shall be specific to each Committee meeting.

**MINUTES AND RESOLUTION**

The Secretary shall minute the proceedings and resolutions of all Committee meetings. The minutes of a Committee meeting after being affirmed at the subsequent Committee meeting and signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be deemed a correct recording of the proceedings.

The minutes shall be kept by the Secretary and shall be open for inspection by any Committee members or the Board members.

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A resolution in writing, signed or approved via any electronic means by a majority of the members of the Committee, shall be as effectual as if it has 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 or more Committee members.

**REVISION**

The Terms of Reference shall be reviewed as and when required and updated in accordance with the needs of the Company and any new regulations. Any revision or amendments to the Terms of Reference shall be presented to the Board for approval.

This Terms of Reference were last reviewed by the Board on 30 August 2022.