



KENANGA INVESTMENT BANK BERHAD
AUDIT COMMITTEE
TERMS OF REFERENCE

1.0 OBJECTIVE

Support the Board of Directors (“**Board**”) in ensuring that there is a reliable and transparent financial reporting process within Kenanga Investment Bank Berhad (“**KIBB**”) and its subsidiaries.

2.0 COMPOSITION

2.1 The Group Audit Committee (“**AC**” or “**the Committee**”) shall comprise only non-executive directors with at least three (3) members of which majority should be Independent Directors.

2.2 The Chairman of the AC shall be an Independent Non-Executive Director and shall not be the Chairman of the Board.

2.3 The membership of the AC, including the position of Chairman shall be approved by the Board of KIBB based on the recommendation made by the Group Nomination & Remuneration Committee (“**NRC**”).

The nomination of KIB’s Independent Non-Executive Director(s) as member(s) of the AC to represent KIB Board shall always be subject to KIB Board’s approval for the recommendation of the NRC to the Board of KIBB for approval.

2.4 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 three (3) years’ working experience and -

i. he must have passed the First Schedule of the Accountants Act 1967 as provided in **Appendix 1**; or

- ii. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967 as provided in **Appendix 1** ; or
- c. has either one of the following qualifications, and at least three (3) years' post-qualification experience in accounting or finance:
 - i. a degree/masters/doctorate in accounting or finance; or
 - ii. a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
- d. has at least seven (7) years' experience being a chief financial officer of a corporation or having the function of primarily responsible for the management of the financial affairs of a corporation, such corporation being at least of a comparable size or scale and preferably in the financial services sector.

2.5 Members of AC may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Directors of the Company.

All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company.

2.6 In the event of any vacancy resulting in the number of members being reduced to below three (3), the Board shall, within three (3) months fill the vacancy.

2.7 A member of AC shall abstain from participating in discussions and decisions on matters involving him.

2.8 The terms of office and performance of each of the AC members shall be reviewed by the NRC annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

3.0 SECRETARY

The Company Secretary shall act as the Secretary of the AC.

4.0 RIGHTS OF THE AC

- 4.1 The AC shall have the resources and full and unrestricted access to the records of KIBB and/or its subsidiaries (including the records of all Board and Management Committee meetings), properties and officers in carrying out its duties and responsibilities.
- 4.2 The AC shall be granted the authority to investigate any activity of KIBB and/or its subsidiaries within its terms of reference and all employees and external consultants involved shall be directed to cooperate as and when required by the AC.
- 4.3 The AC shall also be empowered to consult independent experts, where necessary, to assist in executing its duties at the cost of KIBB and/or its subsidiaries and shall have direct communication channels with the external and internal auditors.
- 4.4 The internal audit function shall report directly to the AC.

5.0 MEETINGS

5.1 Quorum

- a. A quorum of the AC meeting shall be at least two-thirds (2/3) of the AC members and majority of the members present must be Independent Directors. Meetings with a quorum in attendance shall constitute a competent and fully empowered Committee, able to exercise all authority vested in and exercisable by the AC.

If the Chairman is not present those present shall elect one of their number, who is an Independent Director, to chair the meeting.

- b. No business shall be transacted unless a quorum is present either in person or by video or telephone conferencing throughout the proceedings of the meeting.

5.2 Frequency of Meetings

- a. The AC shall meet at least once every quarter. However, additional meetings may be called at any time at the AC Chairman's discretion or at the request of any AC members or Group Chief Internal Auditor as and when necessary.

- b. In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by at least two-thirds (2/3) of the AC members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.
- c. Upon the request of the external auditor, the Chairman of the AC must convene a meeting of the AC to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.
- d. On a half-yearly basis, the AC shall convene a joint meeting with the Group Board Risk Committee to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the risk appetite and business plans of KIBB and/or its subsidiaries.

5.3 Attendance at Meetings

- a. Upon the invitation by the AC, the Group Chief Internal Auditor shall be in attendance at all meetings of the AC.
- b. The AC may invite the external auditor, external consultants or advisers, or any Directors or members of the Senior Management and employees of KIBB and/or its subsidiaries to be in attendance during meetings to assist in its deliberations.
- c. The AC shall meet with the external auditor, the person(s) carrying out the internal audit function or activity, or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

5.4 Minutes of Meetings

- a. The minutes of each AC meeting shall be kept and distributed to all AC members and presented at the Board meeting for notation.
- b. The Minutes of the AC pertaining to PRS and/ or other audit related matters with regard to KIB, as well as other subsidiaries of KIBB are to be tabled to the Board of KIB for notation.
- c. The Minutes of the AC meetings shall be made available for inspection by any member of the AC, Board, internal and external auditor, as well as relevant regulators.

6.0 ROLES AND RESPONSIBILITIES

6.1 Fair and Transparent Reporting

- a. Ensure fair and transparent reporting and prompt publication of financial statements.
- b. Review the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on -
 - i. changes in or implementation of major accounting policy changes;
 - 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; and
 - iii. compliance with accounting standards and other legal requirements.

6.2 Effectiveness of Internal Audit

- a. Oversee the effectiveness of the internal audit function of KIBB including:
 - i. Reviewing, approving and reporting to the Board the audit scope, procedures and frequency;
 - ii. reviewing and reporting to the Board key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit;
 - iii. noting significant disagreements between the Group Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;
 - iv. establishing a mechanism to assess the performance and effectiveness of the internal audit function; and

- v. reviewing and reporting to the Board the adequacy of scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- b. Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Group Chief Internal Auditor and of any staff member of the internal audit function at the request of the Group Chief Internal Auditor.

6.3 External Auditors

- a. Foster a quality audit of KIBB and its subsidiaries by exercising oversight over the external auditor, in accordance with the expectations set out in Bank Negara Malaysia's policy document on External Auditor, including -
 - i. making recommendations to the Board on the appointment and the annual reappointment of the external auditor upon assessment of the audit fee taking into consideration the independence and objectivity of the external auditor and the cost effectiveness of its audit;
 - ii. monitoring and assessing the independence of the external auditor including by approving the provision of non-audit services by the external auditor;
 - iii. monitoring and assessing the effectiveness of the external audit, including by meeting with the external auditor without the presence of Senior Management at least annually;
 - iv. maintaining regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the AC on significant matters;
 - v. ensuring that Senior Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations; and
 - vi. ensuring that Senior Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.

- b. Review the following and report the same to the Board -
 - i. with the external auditor, the nature and scope of their audit plan, their evaluation of the system of internal controls, their audit report and their management letter and discuss any matter that the external auditor may wish to raise in the absence of Management, where necessary;
 - ii. the assistance given by the employees of KIBB and/or its subsidiaries to the external auditor; and
 - iii. any letter of resignation from the external auditor of KIBB and /or its subsidiaries; and
 - iv. whether there is reason (supported by grounds) to believe that the external auditor of KIBB and/or its subsidiaries is not suitable for re-appointment.

6.4 Internal Controls

- a. Review the effectiveness of the establishment and implementation of internal controls, compliance programme and risk management processes and systems of KIBB and its subsidiaries.
- b. Review third-party opinions on the design and effectiveness of KIBB and its subsidiaries' internal control framework.
- c. Ensure that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by control functions such as risk management and compliance.

6.5 Effectiveness of the Controls Established for Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”)

Assist the Board in -

- a. ensuring that independent audits are conducted to check and testing the effectiveness of the policies, procedures and controls for KIBB and its subsidiaries' AML/CFT measures;
- b. reviewing internal control issues identified by the auditors and regulatory authorities and evaluating the adequacy and effectiveness of the internal controls for KIBB and its subsidiaries' AML/CFT measures;

- c. ensuring the AML/CFT measures are in compliance with the relevant regulations and guidelines and whether the current AML/CFT measures which have been put in place are in line with the latest developments and changes to the relevant AML/CFT requirements; and
- d. evaluating the reliability, integrity and timeliness of the internal and regulatory reporting and management information.

6.6 Related Party Transaction

Review and report to the Board any related party transaction and conflict of interests situation that may arise within KIBB and/or its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity.

6.7 Regulatory Examinations/ Inspection Reports/ Reporting Obligations

- a. Ensure proper implementation and recommend appropriate remedial and corrective measures in respect of the findings arising from examinations/ inspections conducted by the regulatory authorities on KIBB and its subsidiaries.
- b. Ensure timely and effective communications/reporting to the regulators on matters affecting the safety and soundness of KIBB and its subsidiaries upon becoming aware of the same.

6.8 Reports of the internal auditors and the AC shall not be subject to the clearance of the Management.

6.9 Perform any other functions as may be mutually agreed by the AC and the Board.

6.10 Review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures and internal control¹, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

6.11 Monitor compliance with the Group Conflict Management Policy in respect of the Director's actual or potential conflicts of interest.

¹ Corporate governance disclosures shall include the Statement on Corporate Governance, Audit Committee Report, as well as Statement on Risk Management and Internal Control, to be disclosed in the Annual Report of KIBB.

- 6.12 Where the AC is of the view that a matter reported by the AC to the Board of KIBB has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC must promptly report such matter to Bursa Malaysia Securities.
- 6.13 In this Terms of Reference, any reference to any provision of legislations, guidelines, circulars or directives shall include all amendments, modifications, consolidations or replacements as may be issued from time to time.

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