

# **PACIFIC & ORIENT BERHAD**

## **Audit Committee Charter**

### **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 the Audit Committee members shall be non-executive directors with a majority of the members, including the Chairman of the Committee, being Independent Directors as defined in Chapter 1 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.
- 1.3 All members of the Audit Committee shall be financially literate. The Committee shall include at least one person:
  - (a) who is a member of the Malaysian Institute of Accountants; or
  - (b) who must have at least 3 years' working experience and:
    - (i) have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (ii) is a member of one of the Associations specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (c) who has either one of the following qualifications and at least 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) who has at least 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 Audit Committee.
- 1.5 The members of the Audit Committee shall elect a Chairman from amongst their number.
- 1.6 If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 1.7 The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

### **2. Meetings**

- 2.1 The quorum for an Audit Committee meeting shall be at least two (2) members; the majority present must be Independent Directors.

- 2.2 The Audit 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 Audit 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 Audit Committee and shall appear before the Committee when required to do so. However, the Committee should meet with the External Auditors without executive board members present at least twice a year.
- 2.5 The Audit Committee may invite any non-member Directors or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meetings to assist in its deliberations and resolutions of matters raised.
- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made. However, the Audit Committee should meet with the Internal Auditors without other directors and employees present, whenever deemed necessary.
- 2.7 The Company Secretary shall act as Secretary of the Audit 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 Audit 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 Audit Committee's meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

### **3. Rights and Authority**

The Audit Committee is authorised to:

- 3.1 Investigate any matter within its terms of reference.
- 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.

In this respect, the Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Group General Manager – Finance, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

- 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.

#### **4. Functions and Duties**

- 4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

- 4.2 To review the following and report 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 Auditee.
- (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 Auditors.
- (iv) The management letter and management's response.
- (v) Issues and reservations arising from audits.

(b) With the Internal Audit Department:

- (i) Fulfillment of Internal Audit Department's role in evaluating and contributing to the improvement of risk management, control and governance systems as spelled out in the International Standards for the Professional Practice of Internal Auditing contained in The International Professional Practices Framework.
- (ii) The adequacy and relevance of the scope, functions, competency and resources of internal audit and the necessary authority to carry out its work.
- (iii) The audit plan of work program and results of internal audit processes including actions taken on recommendations.
- (iv) The extent of cooperation and assistance rendered by employees of the Auditee.
- (v) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment, resignation and termination.

(c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on:

- (i) Changes and implementation of major accounting policies and practices.
- (ii) Significant and unusual issues.
- (iii) Going concern assumption.
- (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 raise questions of management integrity.

- 4.3 To report any breaches of the Main Market Listing Requirements which have not been satisfactorily resolved, to Bursa Malaysia Securities Berhad.
- 4.4 To verify allocation of options pursuant to a share scheme for employees is in compliance with the criteria for the allocation of options.
- 4.5 To prepare the Report of the Audit Committee 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 terms of reference of the Committee.
  - (c) The number of meetings held and details of attendance and relevant training attended by each member.
  - (d) A summary of the activities of the Committee in the discharge of its functions and duties.
  - (e) A summary of the activities of the internal audit function.
- 4.6 To review the following for publication in the Company's Annual Report:
  - (a) The disclosure statement of the Board on:
    - (i) The Company's application of the principles set out in the Malaysian Code on Corporate Governance.
    - (ii) The extent of compliance with the recommendation set out in the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.
  - (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 system of internal controls of the Company and of the Group.
  - (d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of Bursa Malaysia Securities Berhad's Main Market 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 Audit Committee and the Board.

## **5. Group Internal Audit Department**

- 5.1 The Head of the Group Internal Audit Department shall have unrestricted access to the Audit Committee members and 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 the routine administrative matters, the Head of the Group Internal Audit Department shall report to the Group Chief Executive.