

Terms of Reference of The Audit Committee



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DKSH Holdings (Malaysia) Berhad (231378-A) (199101021067)
B-11-01, The Ascent, Paradigm, No. 1, Jalan SS7/26A,
Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Phone +603 7882 8888, Fax +603 7882 8899
www.dksh.com

1. Preface

The Audit Committee was established by the Board of Directors of DKSH Holdings (Malaysia) Berhad (“DKSH” or “the Company”) in 1994. The Audit Committee is accountable to the Board of Directors of DKSH (“the Board”).

The objective of the Terms of Reference is to align the Audit Committee’s functions with the provisions of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the Malaysian Code on Corporate Governance.

The Audit Committee of DKSH is governed by the following Terms of Reference.

2. Composition

2.1 The Board appoints the Audit Committee from amongst its Directors, which shall fulfill the following requirements:

- a. the Audit Committee shall comprise not fewer than 3 members;
- b. all Audit Committee members shall comprise Non-Executive Directors, with a majority being Independent Directors;
- c. at least one member of the Audit Committee:
 - (i) shall be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he shall have at least 3 years’ working experience and:
 - he shall have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he shall be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) if he is not a member of the Malaysian Institute of Accountants, he shall have at least 3 years’ post-qualification experience in accounting or finance and:
 - a degree/masters/doctorate in accounting or finance; or
 - a member of any professional accountancy organization which has been admitted as a full member of the International Federation of Accountants; or
 - (iv) if he is not a member of the Malaysian Institute of Accountants, he shall have 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; and
- d. fulfills such other requirements as prescribed or approved by Bursa Malaysia from time to time.

2.2. The Company shall ensure that no Alternate Director is appointed as a member of the Audit Committee.

2.3. The members of the Audit Committee shall elect a Chairman from among themselves who is an Independent Director.

2.4. The Company shall fill any vacancy resulting in the non-compliance of items 2.1 and 2.3 above, within 3 months.

3. Authority

The Company shall ensure that wherever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

- 3.1 have authority to investigate any matter within its Terms of Reference;
- 3.2 have the resources which are required to perform its duties;
- 3.3 have full and unrestricted access to any information pertaining to the Company;
- 3.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

3.5 be able to obtain independent professional or other advice; and

3.6 be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

4. Functions

Without limiting the generality of the written Terms of Reference, the Company shall ensure that the Audit Committee, amongst others, discharges the following functions (based on the provisions of the Main Market Listing Requirements of Bursa Malaysia (“Listing Requirements”) including any amendment thereto that may be made from time to time):

4.1 Assist in establishing an environment in which controls can operate effectively.

4.2 Review the Group’s procedures established to ensure compliance with all laws, rules and regulations, directives and guidelines established by relevant regulatory bodies.

4.3 Oversee the monitoring of the Group’s systems of financial reporting and internal controls, and ensure an early warning system is in place.

4.4 Assess the adequacy, quality, and timeliness of management reports.

4.5 Review the annual financial statements and quarterly interim results of the Company and the Group before submission to the Board for approval, focusing particularly on changes in or implementation of major accounting policy changes and significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed. To ensure that they are prepared in a timely and accurate manner complying with accounting and regulatory requirements.

4.6 Review related party transactions and conflict of interest situations that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

4.7 Review the appointment or re-appointment of the external auditors, the remuneration, and the terms and scope of the audit engagement including an annual review of the suitability and independence of the external auditors and obtain a written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

4.8 Review the audit scope and annual planning, as well as the reports issued by the external auditors, their evaluation of the system of internal controls and follow up on the implementation of recommendations.

4.9 Assess the assistance given by the employees of the Company to the external auditors.

4.10 Review any letter of resignation from the external auditors and recommend the nomination of a person or persons as external auditors.

4.11 Review the adequacy of the scope, functions, competency, remuneration and resources of the internal audit functions and that it has the necessary authority to carry out its work.

4.12 Review the internal audit annual plan, processes, results of the internal audit plan, processes or investigation undertaken as well as reports, audit findings and the follow-up on the implementation of recommendations.

4.13 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Malaysia.

4.14 Ensure that a former key audit partner shall observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

4.15 Consider other issues referred to by the Board from time to time.

5. Procedures and Meetings

The Audit Committee may regulate its own procedures and meetings, as follows:

5.1 Audit Committee meetings shall be held at least 4 times in a financial year and more frequently if circumstances require.

5.2 In order to form a quorum in respect of an Audit Committee meeting, the majority of members present shall be Independent Directors.

5.3 In the absence of the Audit Committee Chairman, the remaining Audit Committee members present shall elect one of themselves (who shall be an Independent Director) to chair the meeting.

5.4 The Chairman of the Audit Committee shall report on key issues to the Board.

5.5 Other members of the Board and senior management may attend meetings upon the invitation of the Audit Committee. The Company shall ensure that other Directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

5.6 Additional meetings may be held upon request by any Audit Committee members, internal or external auditors.

5.7 Members of the Audit Committee may participate in its meeting by means of conference telephone, conference videophone or any similar communication equipment. Such participation in a meeting shall constitute presence in person at such meeting.

5.8 The Audit Committee shall meet with the external auditors without Executive Director(s) present at least twice a year, or as prescribed by Bursa Malaysia or the Malaysian Code on Corporate Governance.

5.9 The Audit Committee may pass circular resolutions in writing, signed by majority of the members of Audit Committee, which shall be valid and effectual as if it is passed at a meeting of the Audit Committee duly convened and held. Circular resolutions to be passed may consist of several documents in like form each signed by one or more members.

6. Review of the Audit Committee

The Nominating and Remuneration Committee shall review the term of office of the Audit Committee members and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their Terms of Reference.

7. Review of the Terms of Reference

The Terms of Reference of Audit Committee are to be regularly reviewed by the Board as and when required.

Petaling Jaya, February 23, 2022