



KENANGA INVESTMENT BANK BERHAD

AUDIT COMMITTEE

TERMS OF REFERENCE

GLOSSARY

Terms	Description
Board	Board of Directors of KIBB
Bursa Securities	Bursa Malaysia Securities Berhad
Company Secretary	Group Company Secretary of Kenanga Investment Bank Berhad and Its Subsidiaries
Director	As defined under Section 2 of the Capital Markets and Services Act 2007 as amended, supplemented or modified from time to time
AC or the Committee	Audit Committee
GBRC	Group Board Risk Committee
GNC	Group Governance, Nomination and Compensation Committee
MIA	Malaysian Institute of Accountants
KIBB or the Company	Kenanga Investment Bank Berhad (197301002193 (15678-H))
KIBB Group or the Group	Kenanga Investment Bank Berhad and Its Subsidiaries

DOCUMENT HISTORY

Version	Date Approved by Board	Effective Date of Implementation	Description
1			1 st Version of the TOR of the AC
2	8 December 2016	29 March 2017	2 nd Version of the TOR of the AC
3	6 April 2022	6 April 2022	3 rd Version of the TOR of the AC
4	7 December 2023	7 December 2023	4 th Version of the TOR of the AC

CONTENTS

1.	OBJECTIVES	5
2.	COMPOSITION.....	5
3.	SECRETARY.....	7
4.	RIGHTS OF THE AC	7
5.	MEETINGS	
5.1	Quorum	8
5.2	Frequency of Meetings	8
5.3	Attendance of Meetings	9
5.4	Minutes of Meetings.....	9
6.	ROLES AND RESPONSIBILITIES	9
6.1	Fair and Transparent Reporting.....	9
6.2	Effectiveness of Internal Audit.....	10
6.3	External Auditors	12
6.4	Internal Controls	13
6.5	Effectiveness of Controls Established for Anti-Money Laundering, Counter Financing of Terrorism and Proceeds of Unlawful Activities.....	13
6.6	Speak Up	14
6.7	Related Party Transaction and Conflict of Interest	14
6.8	Regulatory Examinations/Inspection Reports/Reporting Obligations	14
7.	REVIEW OF THE TERMS OF REFERENCE	15

1.0 OBJECTIVE

The main objectives of the establishment of the AC are to -

- a. support the Board in fulfilling its fiduciary duties and responsibilities relating to KIBB Group's accounting and financial reporting policies and procedures, as well as financial position and performance by ensuring that reliable and transparent financial reporting processes are put in place within KIBB Group;
- b. provide independent oversight on the effectiveness of the internal audit function of KIBB;
- c. ensure the adequacy of controls in the procedures and processes put in place in accordance with applicable regulatory and statutory requirements; and
- d. foster a quality audit of KIBB Group by exercising independent oversight over the external auditor, in accordance with the relevant regulatory and statutory expectations.
- e. support the Board in carrying out the oversight governance function of sustainability and its underlying Environmental, Social and Governance ("ESG") matters of the Group.

2.0 COMPOSITION

- 2.1 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 based on the recommendation made by the GNC.

- 2.4 At least one (1) member of the AC:
- a. must be a member of the 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 examinations specified in Part I of the First Schedule of the Accountants Act 1967 as provided in **Appendix 1**; or
 - ii. he must be a member of one of the recognised bodies 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; or
 - e. fulfils such other requirements as prescribed or approved by Bursa Securities.
- 2.5 No alternate Director is appointed as a member of the AC.
- 2.6 A former officer directly involved in the engagement and any partner of the external auditors of KIBB shall observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

- 2.7 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.

- 2.8 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.
- 2.9 A member of AC shall abstain from participating in discussions and decisions on matters involving him.
- 2.10 The terms of office and performance of each of the AC members shall be reviewed by the GNC 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, 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 subject matter 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. At least once a year, the AC shall convene a joint meeting with the GBRC to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging, sustainability and climate-related 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 meetings shall be made available for inspection by any member of the AC, Board, internal and external auditors, 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.

- c. Internal audit function shall report functionally to the AC including, obtaining approvals for the following:
 - i. Internal Audit Charter;
 - ii. Risk-Based Internal Audit Plan; and
 - iii. Internal Audit Budget and Resource Plan.

- d. **Technology Audit**
 - i. Responsible for ensuring the effectiveness of the internal technology audit function including ensuring the adequate competence of the audit staff to perform technology audits.
 - ii. Review and ensure the appropriate audit scope, procedures and frequency of technology audits.
 - iii. Ensure effective oversight over prompt closure of corrective actions to address technology control gaps.

- e. **ESG/Sustainability Audit**
 - i. Review and ensure the appropriate audit scope, procedures and frequency of audits on ESG/sustainability related areas.
 - ii. Effective oversight over prompt closure of corrective actions to address ESG/sustainability control gaps.

6.3 External Auditors

- a. Foster a quality audit of KIBB Group 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 re-appointment of the external auditor upon assessment on the competence, audit quality and resource capacity of the external auditor in relation to the audit and the audit fee taking into consideration the independence and objectivity of the external auditor and the cost effectiveness of its audit. The assessment should also consider information presented in the *Annual Transparency Report*² of the external auditor. If the external auditor is not required to issue an *Annual Transparency Report*, the AC is encouraged to engage the external auditor on matters typically covered in an *Annual Transparency Report* including the external auditor's governance and leadership structure, as well as measures undertaken by the firm to uphold audit quality and manage risks;
 - 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; and
 - v. 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;
 - 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 Group.
- b. Review third-party opinions on the design and effectiveness of KIBB Group's 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 Controls Established for Anti-Money Laundering, Counter Financing of Terrorism and Proceeds of Unlawful Activities ("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 Group's 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 Group's 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 Speak Up

The Chairman of the AC shall be the designated Speak Up Director responsible for the overall supervision of speaking up and speaking out related matters of KIBB Group by ensuring the effective implementation of the Group Speak Up Policy across all entities within KIBB Group.

6.7 Related Party Transaction and Conflict of Interest

Review and report to the Board any related party transaction and conflict of interest situation that arose, persist or may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.

6.8 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 entities within KIBB Group.

- b. Ensure timely and effective communications/ reporting to the regulators on matters affecting the safety and soundness of entities within KIBB Group upon becoming aware of the same.
- 6.9 Reports of the internal auditors and the AC shall not be subject to the clearance of the Management.
- 6.10 Perform any other functions as may be mutually agreed by the AC and the Board.
- 6.11 Review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures and internal control³, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- 6.12 Monitor compliance with the Group Conflict Management Policy in respect of the Director's actual or potential conflicts of interest.

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 Main Market Listing Requirements, the AC must promptly report such matter to Bursa Securities.

7.0 REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference of the AC shall be reviewed as and when required by the Board to keep it up to date and consistent with the AC's objectives and responsibilities, as well as relevant applicable regulatory and statutory requirements.

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.

APPENDIX 1**ACCOUNTANTS ACT 1967****FIRST SCHEDULE
(Sections 14 and 15)****PART I**

- (a) the final examination of the University of Malaya for the Diploma Perakaunan (Diploma in accounting);
- (b) the final examination of the University of Malaya for the Ijazah Sarjana Muda Perakaunan (Degree of Bachelor of Accounting);
- (c) the final examination of the Universiti Kebangsaan Malaysia for the Ijazah Sarjana Muda Perakaunan (Kepujian) (Degree of Bachelor of Accounting (Honours));
- (d) the final examination of the MARA Institute of Technology for the Diploma Lanjutan Perakaunan (Advanced Diploma in Accountancy);
- (e) the final examination of the Universiti Teknologi MARA for the Ijazah Sarjana Muda Perakaunan (Degree of Bachelor of Accounting);
- (f) the final examination of the Universiti Utara Malaysia for the Ijazah Sarjana Muda Perakaunan (Kepujian) (Degree of Bachelor of Accounting (Honours));
- (g) the final examination of the Universiti Pertanian Malaysia for the Ijazah Bachelor Perakaunan (Kepujian) (Degree of Bachelor of Accounting (Honours));
- (h) the final examination of the Universiti Putra Malaysia for the Ijazah Bachelor Perakaunan (Kepujian) (Degree of Bachelor of Accounting (Honours));
- (i) the final examination of the Universiti Islam Antarabangsa for the Ijazah Sarjana Muda Perakaunan (Kepujian) (Degree of Bachelor of Accounting (Honours));
- (j) the final examination of the Universiti Sains Malaysia for the Ijazah Sarjana Muda Perakaunan (Kepujian) (Degree of Bachelor of Accounting (Honours));
- (k) the final examination of the Universiti Utara Malaysia for the Degree of Bachelor of Accounting (Honours)(Information System),
[Subs. P.U.(A) 281/2007]
- (l) the final examination of the Universiti Tenaga Nasional for the Degree of Bachelor of Accounting (Honours), the academic programme for which first commenced from the academic year 2002/2003 onwards;
[Ins. P.U.(A) 140/2004; Am. P.U.(A) 281/2007]

- (m) the final examination of the Universiti Multimedia for the Degree of Bachelor of Accounting (Honours), the academic programme for which first commenced from the academic year 2002/2003 onwards;

[Ins. P.U.(A) 140/2004; Am. P.U.(A) 281/2007]

- (n) the final examination of the Kolej Universiti Sains dan Teknologi Malaysia for the Degree of Bachelor of Accounting (Honours);

[Ins. P.U.(A) 281/2007]

- (o) the final examination of the Universiti Malaysia Sabah for the Degree of Bachelor of Accounting (Honours);

[Ins. P.U.(A) 281/2007; Am. P.U.(A) 161/2011]

- (p) the final examination of the Universiti Industri Selangor for the Degree of Bachelor of Accounting (Honours);

[Ins. P.U.(A) 161/2011]

- (q) the final examination of the Universiti Sultan Zainal Abidin for the Degree of Bachelor of Accounting (Honours);

[Ins. P.U.(A) 141/2013]

- (r) the final examination of the Universiti Sains Islam Malaysia for the Degree of Bachelor of Accounting (Honours);

[Ins. P.U.(A) 194/2014]

- (s) the final examination of the Universiti Tunku Abdul Rahman for the Degree of Bachelor of Accounting (Honours).

[Ins. P.U.(A) 194/2014]

- (t) the final examination of the INTI International University for the Degree of Bachelor of Accounting (Honours)

[Ins. P.U.(A) 113/2015]

- (u) the final examination of the Management and Science University for the Degree of Bachelor in Accountancy (Honours), the academic programme for which first commenced with the academic session November 2010 onwards.

[Ins. P.U.(A) 90/2016]

PART II

The recognised bodies for the purposes of sections 14(1)(b) and 15(b) are:
[Am. Act A1099]

- (a) Malaysian Association of Certified Public Accountants;
- (b) Institute of Chartered Accountants of Scotland;
- (c) Institute of Chartered Accountants in England and Wales;
- (d) Institute of Chartered Accountants in Ireland;
- (e) Association of Chartered Certified Accountants (United Kingdom);
- (f) Institute of Chartered Accountants in Australia;
- (g) Australian Society of Certified Practising Accountants;
- (h) New Zealand Chartered Accountants;
- (i) Canadian Institute of Chartered Accountants;
- (j) Institute of Chartered Accountants of India; and
- (k) Chartered Institute of Management Accountants (United Kingdom).