



CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

**TERMS OF REFERENCE
BOARD AUDIT COMMITTEE**

1. Mandate

1.1 Pursuant to Article 95 of CGC's Constitution, the Board of Directors ("Board") may delegate any of its powers to committees, consisting of such member or members of the Board as it thinks fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

2. Composition

2.1 The appointments to the Board Audit Committee ("BAC") shall be made by the Board.

2.2 The BAC shall comprise at least three (3) Non-Executive Directors as its members ("BAC Members") who should be financially literate and are able to understand matters under the purview of the BAC including the financial reporting process.

- 2.3 At least one (1) member of the BAC:
- (i) Must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (a) If he/she is not a member of MIA, he/she must have at least three (3) years’ working experience and – He/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (b) He/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- 2.4 To be appointed as a member of BAC, a former key audit partner of CGC is required to observe a cooling-off period of at least three (3) years before such appointment.
- 2.5 Majority of the BAC Members should be independent directors.
- 2.6 The Board shall appoint the Chairman of the BAC (“Chairman”) who is an Independent Non-Executive Director and is not the Chairman of the Board.
- 2.7 In the absence of the Chairman, the BAC Members present shall elect an Independent Non-Executive Director among themselves to chair the BAC Meeting.
- 2.8 The President / Chief Executive Officer or any other persons may be invited to attend the BAC Meeting as the BAC may deem appropriate and necessary.

3. Secretary

- 3.1 The General Counsel & Company Secretary or his/her nominee shall act as the Secretary of the BAC (“Secretary”).

4. Quorum

4.1 The quorum necessary for the transaction of business shall be two (2) BAC Members present at the BAC Meeting.

5. Frequency and Timetable

5.1 The BAC shall meet sufficiently regularly to discharge its duties effectively. The regularly scheduled BAC meetings shall be held at least four (4) times in each financial year, one (1) in every quarter or at any such number of time(s) as the Board requires or as the BAC members may deem necessary to fulfil the BAC's responsibilities.

5.2 Additional meetings may be convened as and when urgent issues and important decisions are required to be taken between the scheduled BAC Meetings.

5.3 BAC Meetings will be scheduled in advance before the end of the current financial year to enable the BAC Members to plan ahead and accommodate next year's BAC Meetings into their respective meeting schedules.

5.4 A BAC meeting may be summoned by the Chairman or by the Secretary on requisition of any BAC members.

5.5 The BAC member must attend at least 75% out of the BAC meetings held in each financial year.

6. Proceedings

6.1 BAC Meetings shall be governed as follows:-

- (i) The time and place of the BAC Meeting will be determined from time to time by the BAC Members.
- (ii) A reasonable prior written Notice of Meeting shall be given to each BAC Member, preferably seven (7) working days before the date of the BAC meeting. The Notice of Meeting may be waived subject to the consent of all BAC members.
- (iii) The Secretary, in consultation with the Chairman, shall draw up the BAC Meeting Agenda (together with the associated material) for circulation to each BAC Member, preferably seven (7) working days before the date of the BAC Meeting.
- (iv) The BAC papers, proposal and reports shall clearly address the background, objective, key issues, rationale, impact and other relevant information to enable the BAC members to make an informed and effective decision or recommendation to the Board.
- (v) The BAC Members shall have full and unrestricted access to all information within CGC and may obtain the resources which it requires including but not limited to expert advice, both internal and external to enable the BAC to fulfil its objectives.

- (vi) BAC Meetings may be convened by way of instantaneous telecommunication device such as telephone, video conferencing or other electronic means of audio or audio-visual communications.

Participation by a BAC Member in a meeting by way of instantaneous telecommunication device shall be treated as presence in person by that BAC Member at the said meeting and shall be counted towards the quorum notwithstanding the fact that he is not physically present at the meeting venue where the meeting is to be held.

- (vii) A BAC Member shall declare at the BAC meeting if the BAC Member, or his/her family (whether directly or indirectly):-

(a) has interest in CGC's contracts; or

(b) holds any interests or offices relating to any matters deliberated in the BAC Meeting which will be or is in conflict with his/her duties as a Director of CGC (conflict of interest);

("family" shall include the BAC Member's spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child, brother or sister.)

- (viii) In the event of declared interest by the BAC Member:-

(a) the Secretary shall minute the declaration;

(b) the relevant BAC Member shall not participate in the discussion at the BAC Meeting; and

- (c) the relevant BAC Member shall not vote on the interest matter (but will still be counted for quorum).
- (ix) Each BAC Member is entitled to one (1) vote in deciding the matters deliberated in the BAC Meeting.
- (x) The decision that gained the majority votes shall be the decision of the BAC.
- (xi) In the event of an equality of votes, the Chairman of the BAC Meeting shall be entitled to a second or casting vote.
- (xii) Unless otherwise decided by the BAC Members, the BAC Meeting session may be electronically recorded.

7. Minutes of BAC Meetings

- 7.1 The minutes of the BAC Meeting, where required, shall incorporate the proceeding, deliberation and resolution made at the BAC Meeting including dissenting view, recommendation, decision and directive.
- 7.2 The draft minutes of BAC Meeting (“BAC Minutes”) duly approved by the Chairman shall be circulated to the BAC Members preferably within seven (7) working days from the date of the BAC Meeting.
- 7.3 Upon confirmation by the BAC, the fair copy of the BAC Minutes shall be executed by the Chairman of the BAC Meeting or the next BAC Meeting.
- 7.4 The duly executed BAC Minutes will be entered in CGC’s BAC Minutes Book within fourteen (14) working days from the date of the BAC Meeting.

7.5 Reproduction of any part of the BAC Minutes can only be performed through/by the Secretary.

8. Circular Resolution

8.1 In between BAC meetings, approval or recommendations by the BAC on urgent or important business matters may be made via Circular Resolution enclosing all relevant information to enable the BAC members to make informed decisions.

8.2 The Circular Resolution in writing duly signed by all BAC Members save for BAC Member who is precluded or prohibited from voting on same shall be as effective for all purposes as a resolution passed at a BAC Meeting duly convened, held and constituted. For avoidance of doubt, electronic signatures, whether digital or encrypted, shall have the same force and effect as original signatures.

8.3 The expressions “in writing” or “signed” include approval by legible confirmed transmission by email, facsimile or other forms of electronic communications.

8.4 The date of the Circular Resolution shall be the date on which the last BAC member signed the Circular Resolution.

8.5 All Circular Resolutions signed by the BAC members shall be tabled for notation at the next BAC meeting.

9. Duties and Responsibilities

9.1 The primary goal of the BAC is to establish cost effective controls, assessing risks, review the financial condition of CGC, its internal controls, information system, performance and findings of the internal and external auditors and to recommend appropriate remedial action.

9.2 The primary responsibilities of the BAC are as follows: -

- (i) Ensure that the annual accounts are prepared in a timely and accurate manner;
- (ii) Review the financial statements for submission to the Board and ensure prompt publication;
- (iii) Review and endorse the audit charter and escalate to the Board for approval;
- (iv) Review and approve the internal audit plan (scope, procedures and frequency) and the budget;
- (v) Review the effectiveness of internal controls, including the scope of the internal audit programme, functions and resources of the internal audit department and that it has the necessary authority to carry out its work and recommend action to be taken by the Management;
- (vi) Review key audit reports including investigation reports and ensuring that 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 and other control functions;

- (vii) Note significant disagreements between the Chief Internal Audit and the Management, irrespective of whether these have been resolved in order to identify any impact the disagreements may have on the audit process or findings;
- (viii) Review that CGC has effective processes and procedures for prevention and detection of fraud.
- (ix) Ensure that proper processes and procedures are in place to comply with all laws, regulations and rules established by all relevant regulatory bodies as well as high corporate governance standards;
- (x) Review the effectiveness of whistle blowing and ethics related programmes, and practices established by the Management (e.g. Code of Business Ethics, Anti-Bribery & Corruption Policy) which include effective communication of the programmes to employees and relevant stakeholders (e.g. contractors), monitoring of conformance and how the Management deal with violations such as those involving senior management and significant amount;
- (xi) Approve the KPI of the Chief Internal Auditor, review the performance and decide on his/her remuneration package;
- (xii) Decide and approve proposals on the appointment/re-appointment, transfer and dismissal of the Chief Internal Auditor. The appointment/reappointment should be in accordance with the BNM's Fit and Proper Guidelines;

- (xiii) Ensure the internal audit staff are suitably qualified and be provided with the necessary training and continuing professional education for the purpose of enhancing or enriching their audit and relevant technical skills. The BAC together with the President / Chief Executive Officer shall consult the Chief Internal Auditor on training and budget requirements of internal auditor;
- (xiv) Evaluate and endorse the number of resources required as determined and justified by the Chief Internal Auditor in consultation with the President / Chief Executive Officer;
- (xv) Evaluate the quality of external auditors, the scope of their audit plan, their audit reports, the assistance given by the Management and its staff to the auditors and any findings and action to be taken;
- (xvi) Monitor and assess the independence of the external auditor by approving the provision of non-audit services by the external auditor;
- (xvii) Meet with external auditor without senior management's presence at least annually. Maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the audit committee on significant matters;
- (xviii) Ensure management takes timely corrective actions to address external auditor audit findings;
- (xix) Recommend to the Board on the appointment, removal and remuneration of the external auditor;

- (xx) Review and update the Board on all related party transactions;
- (xxi) To review the Independent Credit Review reports prepared by Risk Management Division; and
- (xxii) Undertake any other work as directed by the Board or as the BAC considers appropriate.

10. Reporting to the Board

10.1 The Chairman shall report to the Board on material matters arising at BAC Meetings, on all matters within the BAC's purview, and where applicable, shall present BAC's recommendations to the Board for decision/approval.

11. Access to Staff and Expert Advice

11.1 In order to assist the BAC members in the discharge of the duties and responsibilities, the Chief Internal Auditor will have the discretion to call on any CGC staff for explanation and to engage consultants for advice.

12. Rights of the BAC

12.1 The BAC shall in accordance with procedures to be determined by the Board:-

- (i) have the authority to audit and to conduct investigation on any organizational entity in CGC as well as those mandated under contract or any matter within its Terms of Reference ("TOR");
- (ii) have the resources which are required to perform its duties;

- (iii) have full and unrestricted access to the institution's records, assets, personnel and premises and to any information pertaining to CGC;
- (iv) have direct communication channels with external auditors and persons carrying out the internal audit function or activity;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with external auditors, wherever deemed necessary.

13. Annual General Meeting

13.1 The Chairman is required to attend CGC's Annual General Meeting (or Extraordinary General Meeting) to answer any Shareholder's questions on the BAC's activities.

14. Communication to the Management

14.1 Decision made by the BAC shall be communicated by the Secretary to the Management in due course to ensure that the decisions and directions are executed in a timely manner.

14.2 The Management shall take immediate action on all matters arising from the BAC Meeting and update the BAC Members on the status of these matters at the next BAC Meeting or if deemed urgent via circulation of memorandum.

15. Other Provisions

15.1 This TOR may be amended by the Board from time to time in order to retain its usefulness.

15.2 Unless otherwise restricted under the law, CGC's Constitution or by the Board, nothing herein shall restrict the BAC from delegating specific responsibilities to the Management or any person.