

**ARTRONIQ BERHAD**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

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[Registration No: 200201023414 (591077-X)]

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## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

### **ABBREVIATIONS**

AC	-	Audit Committee
Artroniq / the Company	-	Artroniq Berhad
Artroniq Group	-	Artroniq and its subsidiary companies
AMLR	-	ACE Market Listing Requirements
BOD or the Board	-	Board of Directors
Bursa Securities	-	Bursa Malaysia Securities Berhad
ED	-	Executive Director
HRD	-	Human Resource Department
HOD	-	Head of Department
ACP / AC Policy	-	Anti-Corruption Policy
ACSOP	-	Anti-Corruption Standard Operating Procedures
PIC	-	Person-In-Charge
MACC	-	Malaysian Anti-Corruption Commission
MCCG	-	Malaysia Code on Corporate Governance
MIA	-	Malaysian Institute of Accountants
NC	-	Nomination Committee
RC	-	Remuneration Committee

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## TERMS OF REFERENCE OF AUDIT COMMITTEE

The terms of reference of the AC of Artroniq are as follows:

### I. OBJECTIVE

The primary objective of the AC is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with laws and regulations.

### II. COMPOSITION

1. The AC shall be appointed by the Board from amongst the Directors of the Company and shall comprise of no fewer than three (3) members.
2. All AC members shall be Non-Executive Directors, with a majority of them being Independent.
3. The members of the AC shall elect a Chairman from among themselves, who shall not be the Chairman of the Board and must be an Independent Director.
4. The Board shall at all times ensure at least one (1) member of the AC:
  - (i) must be a member of the MIA; or
  - (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience and:
    - (a) 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.
  - or;
  - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
5. No Alternate Director shall be appointed as a member of the AC.
6. If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 1 and 4 above, the Board shall within three (3) months of these events, fill the vacancy.
7. A former key audit partner is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

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8. The Company Secretary or such other person authorised by the AC shall act as the Secretary of the AC.

9. Other Directors and employees may attend the AC meeting by invitation only.

### **III. DUTIES AND FUNCTIONS**

The AC shall review, report and make recommendations to the Board on the following matters:

1. Recommend the appointment of the external auditors, the audit fee and any questions of re-appointment, resignation or dismissal and in particular to assess the suitability and independence of the external auditors on an annual basis.
2. To review with the external auditors:
  - the audit plan;
  - the evaluation of the system of the internal control;
  - the audit report;
  - the management letter and management's response;
  - the assistance given by the Company's employees to the external auditors;
  - to discuss problems and reservations arising from the interim and final audit, and any matter the auditor may wish to discuss (in the absence of management where necessary).
3. To review:
  - the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board of Directors, and thereafter to submit them to the Board of Directors, focusing particularly on:
    - (i) changes in or implementation of major accounting policies and practices
    - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed, and adjustments arising from the audit;
    - (iii) the going concern assumption;
    - (iv) compliance with applicable financial reporting standards and other legal requirements.
  - 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 raises questions on management's integrity.
  - the nomination, appointment, fees, resignation, dismissal, performance, independence and non-audit engagement of the external auditors before making recommendation to the Board.

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### **IV. DUTIES AND FUNCTIONS (CONT'D)**

4. Establishment of an internal audit function which is independent of the activities it audits and in relation thereto:
  - ensure that the head of the internal audit function reports directly to AC;
  - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - review the internal audit plan, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function;
  - inform itself of changes in personnel of the internal audit staff members and make available the opportunity for resigning staff members to submit his reasons for resigning.
  - conduct regular reviews and appraisals on the effectiveness of the governance, risk management and internal control processes within the company.
5. To propose best practices on disclosure of financial results and annual reports of the Company in line with the principles and spirit set out of MCCG, other applicable laws, rules, directives and guidelines.
6. To review the framework and processes for business and corruption risk management, including:
  - Risk appetite, risk management and sustainability strategy of the Group;
  - Design, adequacy and effectiveness of the risk management, internal control and sustainability framework in relation to the Group's activities;
  - Ensure employees, contractors, agents and suppliers are fully aware of the Group's anti-corruption policies and stand;
  - Report on principal business and corruption risks identified for the Group;
  - Reports on any material breaches in risk appetite and tolerance, and the adequacy of any corrective action plan.

### **V. AUTHORITY**

The AC is authorised by the Board to:

1. investigate any matter or activity within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company and Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

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#### **V. AUTHORITY (CONT'D)**

5. obtain independent professional or other advice when needed and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary;
6. convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary;
7. to assign and adequately resource a function (which may be external to the organisation) to be responsible for the Group's anti-corruption framework as well as for anti-corruption compliance matters, including provision of advice and guidance to personnel and business associates in relation to its anti-corruption compliance programme;
8. to direct efforts to improve upon the effectiveness of its corruption risk management framework; and
9. to investigate matters related to corruption and other matters within its terms of reference.

#### **VI. PROCEDURE OF AC**

1. The Committee may meet together for the dispatch of business, adjourn and subject to the Constitution, otherwise regulate their meetings as they think fit, provided that the Committee shall meet at least four (4) times in a calendar year.
2. Any member of the Committee may at any time and the Secretary shall upon such request summon a meeting of the Committee.
3. Notice of each meeting confirming the venue, time and date, shall be forwarded to each member of the committee, any other person required to, no later than seven (7) days before the date of the meeting. The Committee Members may meet on shorter notice and/or waive notice of any meetings as they deem necessary subject to the consent and agreement of all Committee Members. The quorum necessary for the transaction of business shall be two (2), comprising a majority of Independent Non-Executive Directors.
4. Matters arising at any meeting shall be resolved by a majority of votes of the members present, and in the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum.
5. The external auditors may request a meeting if they consider that one is necessary and the Chairman upon such request will convene a meeting for the purpose.

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#### **VII. PROCEDURE OF AC (CONT'D)**

6. The external auditors shall have the right to appear and be heard at any meetings of the Committee. The Committee shall meet with the external auditors at least twice a year and if deemed necessary without the presence of any executive Board member.
7. The Chairman shall, where he deems appropriate, invite any other Board members, employees, third party professionals and/or any person(s) with the relevant experience and expertise to attend any meetings of the Committee.
8. The AC shall report to the Board and the minutes of each meeting shall be tabled to the Board for notation. The expressions "in writing" and "signed" include approval by letter, telegram, telex, telefax or electronic means by any such member of the Committee.
9. The Committee shall cause minutes to be duly entered into books provided for the purposes:
  - i) of the names of all committee members and other participants at each meeting of the Committee;
  - ii) of all resolutions and proceedings of committee meetings;
  - iii) of all orders, recommendations and reports made by the Committee.
10. Such minutes shall be signed by the Chairman of AC at which the proceedings are held or by the Chairman of the next succeeding meeting, and if so signed, shall be conclusive evidence without any further proof of the facts therein stated.
11. All AC members should ensure that the minutes of meetings accurately reflect the deliberations and decisions of the AC, including whether any director abstained from voting or deliberating on a particular matter.
12. A resolution in writing, signed by a majority of the AC members present in Malaysia for the time being entitled to receive notice of a meeting of the AC, shall be as valid and effectual as if it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the members of the AC.

**- END OF POLICY -**