

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

### **1.0 OBJECTIVE**

- 1.1 The objective of this document is to describe the Terms of Reference of the Audit Committee of the Board of Directors of Pelaburan Hartanah Nasional Berhad (“PHNB”).
- 1.2 The Audit Committee is a board committee established by the Board of Directors of PHNB (“Audit Committee”), as management company (“Manager”) of Amanah Harta Tanah PNB (“AHP”) which is a real estate investment trust. The primary task is to assist the Board of Directors of PHNB in overseeing the financial reporting, internal control systems, internal and external audit functions, conflict of interest situations and related party transactions pertaining to AHP and the Manager (where applicable).

### **2.0 COMPOSITION**

- 2.1 The Audit Committee shall comprise at least three (3) Board Members who shall be non-executive, a majority of whom are independent directors of the Board of Directors of PHNB.
- 2.2 Membership Criteria
- At least one (1) member of the Audit Committee -
- 2.1.1 must be a member of the Malaysian Institute of Accountants; or
- 2.1.2 if he is not a member of the Malaysian Institute of Accountants, 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 amended); or
  - ii. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967 (as amended); or
- 2.1.3 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Exchange”).
- 2.3 No alternate director shall be appointed as a member of the Audit Committee.
- 2.4 The members of the Audit Committee shall elect a Chairman among themselves who is an independent director.
- 2.5 In the event of any vacancy in the Audit Committee, resulting in the non-compliance of paragraphs 2.1 and 2.2 above, the Board of Directors of PHNB shall appoint new members to fill the vacancy within three (3) months from the date of that event.
- 2.6 The appointment of members of the Audit Committee shall at all times adhere to all applicable rules, laws and regulations.

### **3.0 SECRETARY AND MINUTES**

- 3.1 The Company Secretary or such other person(s) authorized by the Board of Directors of PHNB shall act as the Secretary to the Audit Committee.
- 3.2 The minutes of the proceedings and resolutions of meetings of the Audit Committee shall be kept by the Secretary, and shall be circulated to all members of the Audit Committee and be presented for notification to the Board of Directors of PHNB.

### **4.0 RIGHTS OF THE AUDIT COMMITTEE**

In performing its duties, the Audit Committee shall, in accordance with procedures to be determined by the Board of Directors of PHNB:

- 4.1 investigate any matter within this Terms of Reference, obtain the resources, which it needs to do so and have full and unrestricted access to any information;
- 4.2 form and delegate authority to sub-committees, which shall be subject to its own Terms of Reference as approved by the Audit Committee;
- 4.3 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 4.4 be able to obtain independent professional or other advice; and
- 4.5 be able to convene meetings with the external auditors, the person(s) carrying out the internal audit or both, while excluding the attendance of other directors and employees of the Manager, whenever deemed necessary.

### **5.0 FUNCTIONS OF THE AUDIT COMMITTEE**

The Audit Committee shall, amongst others, discharge the following functions and duties:

- 5.1 review the following and report the same to the Board of Directors of PHNB:
  - 5.1.1 the assistance given by the employees of PHNB to the external and internal auditors;
  - 5.1.2 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;
  - 5.1.3 the internal audit plan, scope and results of the internal audit plan, processes, observations, major findings of internal investigation and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - 5.1.4 the quarterly results and year-end financial statements, before the approval by the Board of Directors of PHNB, focusing particularly on:
    - 5.1.4.1 changes or implementation of major accounting policy changes;

- 5.1.4.2 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
- 5.1.4.3 compliance with accounting standards and other legal requirements;
- 5.1.5 any related party transaction and conflict of interests situation that may arise within the Manager and/or AHP including any transaction, procedure or course of conduct that raises questions of management integrity;
- 5.1.6 with external auditors:
  - 5.1.6.1 to review the audit plans;
  - 5.1.6.2 to review the evaluation of the quality and effectiveness of the entire accounting system and the adequacy and integrity of the internal control system;
  - 5.1.6.3 to review the external audit report;
- 5.1.7 Whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment;
- 5.1.8 To review any letter of resignation from the external auditors;
- 5.2 Recommend the nomination of a person or persons as external auditors; and
- 5.3 Report to the Exchange on any matter reported by it to the Board of Directors of PHNB, which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Exchange.

## **6.0 ADMINISTRATION OF MEETING**

### 6.1 Conduct of Meetings

Meetings of the Audit Committee shall be conducted through physical presence of Committee members and/or through tele-conferencing, whichever is deemed appropriate.

### 6.2 Frequency of Meeting

The Audit Committee shall meet at least four (4) times a year. Additional meetings may be called at any time at the Chairman's discretion.

### 6.3 Notice of Meeting

The Secretary shall issue the notice convening the meeting of the Audit Committee to all members of the Audit Committee and invitees (if any) together with the agenda of the meeting.

### 6.4 Quorum

The quorum shall comprise at least two (2) Audit Committee members, a majority of whom must be independent directors.

6.5 Chairman

The Chairman of the Audit Committee shall preside over the meeting of the Audit Committee. In the absence of the Chairman, the Audit Committee members present may then appoint one of their members to chair the meeting.

6.6 External Parties

In addition to the Audit Committee members, the meeting will normally be attended by representatives of the external auditors when required, and if necessary by the Head of Internal Assurance Division of Permodalan Nasional Berhad. The Group Chief Financial Officer of Permodalan Nasional Berhad, the holding company of PHNB may be invited to attend, except for portions of the meeting where the officer's presence will be inappropriate, as determined by the Chairman of the meeting. The Audit Committee may also obtain external professional advice and may invite outside advisers with relevant experience to attend its Committee meetings, if necessary.

6.7 Voting and Proceedings

A majority of votes of members present shall determine all decisions made by the Audit Committee and in the case of an equality of votes, the Chairman of the meeting shall have a casting vote.

6.8 Approval by Circulation

In relevant circumstances where an immediate decision is needed, and the Secretary is unable to convene a meeting, approval of the Audit Committee on any matter within its authority can be obtained through the circulation of a written resolution signed by ALL Committee members who are present in Malaysia. The circular resolution shall be reported during the next meeting of the Audit Committee.

**7.0 Review of the Audit Committee**

The Board of Directors of PHNB must review the term of office and performance of the Audit Committee and each of its members annually to determine whether such Audit Committee and members have carried out their duties in accordance with these Terms of Reference.

**8.0 Review of the Terms of Reference**

The Audit Committee may review these Terms of Reference and recommend changes it deems necessary to the Board of Directors of PHNB.