



DAMANSARA
REALTY BERHAD (4030-D)

BOARD AUDIT COMMITTEE

TERMS OF REFERENCE

Updated as at 12 March 2018

BOARD AUDIT COMMITTEE (TERMS OF REFERENCE)

1. Purpose

The Board Audit Committee ("BAC") is established as a committee of the Damansara Realty Berhad's ("DBHD" or "Company") Board of Directors ("the Board") with the following primary objectives:

- (a) To assist the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the DBHD Group of Companies' ("Group") management of financial risk processes, and accounting and financial reporting practices.
- (b) To review the Group's business process, the quality of the Group accounting function, financial reporting and the system of internal controls.
- (c) To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions on behalf of the Board.
- (d) To assist the Board in ensuring that an effective ethics program is implemented across the Group, and monitor compliance with established policies and procedures

2. Composition and Appointment

- (a) The BAC shall be appointed by the Directors amongst its members of no fewer than three (3) members, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors defined below:
 - (i) is not an Executive Director of the Company or its related corporation;
 - (ii) has not been within the last two (2) years and is not an officer (except as an Independent Director) of the Company or its related corporation;
 - (iii) is not a major shareholder of the Company or its related corporation;
 - (iv) is not a relative of any Executive Director, officer or major shareholder of the Company or its related corporation ("relative" means the spouse, parent, brother, sister, child, including adopted or step child, and the spouse of such brother, sister or child);
 - (v) is not acting as a nominee or representative of any Executive Director or major shareholder of the Company or its related corporation;
 - (vi) is not engaged as a professional adviser by the Company or its related corporation [as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities")] either personally or through a firm or company of which he is a partner, director or major shareholder; or has not been engaged in any transaction with the Company or its related corporation, whether by himself or with other persons or through a firm or company of which he is a partner, director

or major shareholder, as the case may be, engaged in any transaction with the Company or its related corporation under such circumstances as prescribed by Bursa Securities.

- (b) The BAC shall include at least one member who:
- (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (ii) if he is not a member of the MIA, he must have at least three (3) years’ working experience and:
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - fulfils such other requirements as prescribed or approved by Bursa Securities. However, all members of the BAC should be financially literate.
- (c) All members of the BAC should be financially literate and have the ability:
- (i) to read and understand financial statements, including a company’s statement of financial position, statement of comprehensive income, and cash flow statement;
 - (ii) to analyse financial statements and ask pertinent questions about the Company’s operations against internal controls and risk factors; and
 - (iii) to understand and interpret the application of approved accounting standards and other related requirement.
- (d) No alternate Director shall be appointed as a member of the BAC.
- (e) The members of the BAC shall elect from among their number a Chairman who is independent and non-executive.
- (f) If a member of the BAC resigns, deceases or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- (g) The Board shall review the term of office and performance of the BAC members at least once every three (3) years.

3. Authority

The BAC is authorised by the Board, and at the cost of the Company, to carry out the following:

- (a) investigate any activity within the Terms of Reference of the BAC;
- (b) have resources which are reasonably required to enable it to perform its duties;

- (c) have full and unrestricted access to any information pertaining to the Company or the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) obtain independent professional or other advice and invite outsiders with relevant experience to attend, if necessary;
- (f) 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;
- (g) meet regularly, with due notice of issues to be discussed and record its conclusions in discharging its duties and responsibilities; and
- (h) the Chairman of the BAC should engage on continuous basis with senior management including Executive Directors, Group Chief Executive Officer (“GCEO”), Group Chief Financial Officer (“GCFO”), Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

4. Duties and Responsibilities

The duties of the BAC shall be to review the following and report the same to the Board:

- (a) Any matters concerning the appointment or recommendation of the External Auditors, the audit fee and any question of resignation or dismissal;
- (b) The nature and scope of the audit plan by the external auditors before commencement and ensure coordination where more than one audit firm are involved;
- (c) External Auditors’ audit reports, problems and reservations or areas of concern arising from both the interim and final audits and any other matters the External Auditors may wish to discuss (in the absence of Management where necessary);
- (d) Quarterly and year-end financial statements, focusing on any change in or implementation of major accounting policy changes, significant and unusual events, the going concern assumption and compliance with accounting standards and other legal requirements;
- (e) External Auditors’ management letter and Management’s response;
- (f) External Auditors’ evaluation of the system of internal controls;
- (g) Assistance given by the employees to the External and Internal Auditors;

- (h) In relation to the internal audit function, to:
 - (i) review the adequacy of the scope, functions, competency and resources of internal audit function and the necessary authority to carry out its work;
 - (ii) review the internal audit plan and results of the internal audit process to ensure that appropriate actions are taken on the recommendations of the internal audit function wherever necessary;
 - (iii) oversee all internal audit functions and is authorised to commission investigations to be conducted by Internal Audit, as it deems fit.
 - (iv) the Head of Internal Audit shall report directly to the BAC and shall have direct access to the Chairman of the BAC.
- (i) Any major findings of internal investigations and Management's response;
- (j) Significant risks identified and control plans;
- (k) Any related party transactions and conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of action that raises questions of Management integrity;
- (l) Compliance of procedures and guidelines on recurrent related party transactions; and
- (m) Other topics as authorised by the Board.

5. Governance

- (a) Code of Conduct and Ethics ("COCE")
 - (i) To drive the COCE program across the Group with the assistance of the Internal Audit and the Risk Management functions, including ensuring that the COCE, which shall include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering; and 'whistleblower program' is implemented across the Group, and complied with;
 - (ii) To review and endorse the COCE program for the Board's approval and monitor the progress of implementation.
 - (iii) To assess the effectiveness of the COCE program and the ethical climate of the entire organization and recommend to the Board necessary changes to the COCE.
 - (iv) To review reports on violations of the COCE and whistleblowing issues, as well as breaches involving pivotal positions.

(b) Related Party Transactions

- (i) To ensure that Management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring conflict of interest situations and related party transactions
- (ii) To review and report to the Board any related party transactions entered into by DBHD and the Group to ensure that:
 - all on-going transactions are in the best interest of the Group;
 - transactions are in the best interest of the Group;
 - transactions are fair, reasonable and undertaken on the Group's normal commercial terms;
 - internal control procedures with regard to such transactions are sufficient and review any conflict of interest situations or related party transactions to ensure that interested parties do not abuse their powers to gain unfair advantage; and
 - transaction is not detrimental to the interest of minority shareholders.

6. Procedures

- (a) The BAC may regulate its own procedures and in particular, the calling of the meetings, the notice given of such meetings, the voting and the proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- (b) The Secretary of the BAC shall circulate the minutes of the BAC meeting to all members of the Board.

7. Meetings

(a) Frequency

- (i) The BAC shall meet at least quarterly in a financial year. The Chairman of the BAC, in consultation with the Secretary, should determine the frequency of committee meetings. Additional meetings shall be scheduled as considered necessary by the Chairman of the BAC or should circumstances require.
- (ii) The GCEO, GCFO, Head of Internal Audit and a representative of the External Auditors shall normally be invited to attend the meetings.
- (iii) Other members of the Board may attend the meetings upon the invitation of the BAC.
- (iv) At least once a year, the BAC shall meet with the External Auditors without the presence of the Management.
- (v) The BAC shall meet prior to the release of the Group's Quarterly Results and Annual Reports to discuss the proposed disclosures in the quarterly announcements and annual reports.

(b) Notice and Agenda

- (i) The Secretary shall issue and circulate the notice of BAC meetings confirming the venue, time and date at least five (5) working days before each meeting to the BAC members and all those who are required to attend the meeting.
- (ii) The agenda for each meeting including relevant documents and information requested by the BAC shall be circulated at least five (5) working day before each meeting to the BAC members and all those who are required to attend the meeting.
- (iii) The BAC meeting agendas shall be the responsibility of the Chairman with input from the members. Where necessary, the agenda shall include input from the GCEO, GCFO and the Head of Internal Audit and/or External Auditors.
- (iv) The Chairman may also invite other members of Management and other persons to participate in this process, if necessary.

(c) Quorum

The quorum for a meeting of the BAC shall be two (2) members, with the majority of members present being Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to chair the meeting.

(d) Meeting Mode

- (i) A meeting shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the BAC.
- (ii) The BAC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the BAC duly convened. Approval of the BAC obtained by a BAC Circular Resolution must be signed or approved by all BAC members subject to Clause 7(e)(ii).

(e) Voting

- (i) All resolutions of the BAC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the BAC shall have a second or casting vote.
- (ii) A BAC member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

(f) Minutes of Meetings

- (i) The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the BAC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each BAC meeting to ensure proper follow through.
- (ii) The minutes shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.
- (iii) The BAC, through its Chairman, shall update the Board on the activities undertaken by the BAC at each Board meeting.
- (iv) The Head of Internal Audit and relevant members of Senior Management shall be provided with the minutes and Matters Arising for follow up on key actions required.

(g) Secretary

The Secretary to the BAC shall be the Company Secretary.

8. Continuous Professional Development

The BAC members shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

9. Annual Performance Assessment

- (a) The BAC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in this Terms of Reference and report the results to the Board.
- (b) The Board Nomination & Remuneration Committee (BNRC) shall review the terms of office and performance of the BAC and each of its members annually to determine whether the BAC and each of its members have carried out their duties in accordance with this Terms of Reference. The BNRC shall seek the views of the Chairman of the BAC in its assessment of the performance of members of the BAC, other than of the Chairman himself/herself.
- (c) The Board shall also review the composition, performance and effectiveness of the BAC and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.
- (d) All such assessments shall be properly documented.

10. Review of the Terms of Reference

The BAC shall recommend any changes to its terms of reference in such manner as the BAC deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the BAC's role.