

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.0 PURPOSE

The primary objective of the Audit Committee (as a committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

2.0 COMPOSITION

- i. The Audit Committee shall be appointed by the Directors amongst their numbers, who fulfils the following requirements:-
 - comprised no fewer than 3 members
 - all members must be non-executive directors, with a majority of them being independent directors;
 - all members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants or having the relevant qualifications and experience as specified in the Listing Requirements of Bursa Malaysia Securities Berhad
- ii. The Chairman of the Audit Committee shall be an independent director.

3.0 REPORTING RESPONSIBILITIES

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

4.0 ATTENDANCE AT MEETINGS

- i. The Chief Financial Officer, Group Financial Controller, Chief Internal Auditor and representatives of the external auditors will normally attend meetings.
- ii. Other directors and employees may attend any particular Audit Committee meeting only upon the invitation of the Audit Committee specific to the relevant meeting.
- iii. The company secretary shall be the secretary of the Audit Committee.

5.0 FREQUENCY OF MEETINGS

A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

The Audit Committee should meet with the external and internal auditors without executive board members, if any, and management present at least twice a year.

The Audit Committee would meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.

The Chairman of the Audit Committee would engage on a continuous basis with senior management, such as the Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor and the External Auditors in order to be kept informed of matters affecting the company.

6.0 QUORUM

The quorum for a meeting shall be two (2) members. The majority of members present shall be Independent Directors.

7.0 AUTHORITY

- i. The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee for the purpose of discharging its functions and responsibilities.
- ii. The Audit Committee may, with the approval of the Board, obtain legal or other advice from independent professionals and appoint external parties with relevant experience and expertise to assist the Committee if it considers this necessary.

8.0 DUTIES

The duties of the Audit Committee shall be:

8.1 FINANCIAL REPORTING

Review the quarterly and year-end financial statements before submission to the Board, focusing particularly on:

- any changes in accounting policies and practices
- significant audit adjustments from the external auditors
- the going concern assumption
- compliance with accounting standards and other legal and regulatory requirements
- significant matters highlighted including financial reporting issues, significant judgments made by the management, significant and unusual events or transactions, and how these matters are addressed

8.2 EXTERNAL AUDITORS

- i. Consider the appointment of the External Auditors, the audit and non-audit fees or services rendered and any questions of resignation or dismissal.
- ii. Review the nature and scope of the audit by the External Auditors before commencement.
- iii. Periodically review and recommend the External Auditors Policy of the Group to the Board for approval.
- iv. Discuss problems and reservations arising from the interim and final audits and any matter the auditors may wish to discuss (in the absence of management, where necessary).
- v. Review with the external auditors, their evaluation of the systems of internal controls, management letter and management's response.
- vi. Review any appraisal or assessment of the performance of external auditors.

8.3 INTERNAL AUDIT

- i. Review and approve the Internal Audit Charter which defines the internal audit's purpose, scope, responsibilities and authority within the Company and S P Setia Group.
- ii. Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.
- iii. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.
- iv. Review any appraisal or assessment of the performance of members of the internal audit function.
- v. Approve any appointment or termination of senior staff members of the internal audit function.
- vi. Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

8.4 INTERNAL CONTROLS

- i. Assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations.
- ii. Review the findings of internal control in the Group reported by the external and internal auditors.

8.5 CORPORATE GOVERNANCE

- i. Review and recommend the Audit Committee Report for inclusion in the Company's Annual Report to the Board for approval.
- ii. Jointly review with the Risk Management Committee and recommend the Statement on Risk Management and Internal Controls for inclusion in the Company's Annual Report to the Board for approval.
- iii. Review the results of assurance of the Sustainability Statement and approve the Statement of Assurance which forms part of the Sustainability Statement
- iv. Consider external assurance planned beyond scope of annual statutory audit for new areas of auditing:
 - Appoint / re-appoint or terminate assurance provider, including its fees for its services rendered.
 - Review the nature of assurance, scope and deliverables of the assurance provider. The deliverables can be in any form of either opinion, assurance, limited assurance, management report, presentations or updates by the assurance provider.
- v. Review any related party transactions and conflict of interests situation that may arise within the Company or S P Setia Group including any transaction, procedure or course of conduct that raises questions of management integrity. The Audit Committee shall refer to the relevant regulations or guidelines issued by Bursa Malaysia Securities Berhad relating to management of conflict of interests that may be issued from time to time.
- vi. Consider other related matters, as defined by the Board.