

AMMB Holdings Berhad

AUDIT AND EXAMINATION COMMITTEE
TERMS OF REFERENCE

Approved on 26 July 2018

Contents

| | | |
|----|---------------------------------------|---|
| 1. | PURPOSE | 3 |
| 2. | COMPOSITION AND APPOINTMENT | 3 |
| 3. | AUTHORITY | 4 |
| 4. | FUNCTIONS AND DUTIES | 4 |
| 5. | MEETINGS..... | 7 |
| 6. | ANNUAL PERFORMANCE ASSESSMENT | 8 |
| 7. | REVIEW OF THE TERMS OF REFERENCE..... | 8 |

1. PURPOSE

- 1.1 The Audit and Examination Committee (“the Committee”) is established as a committee of the AMMB Holdings Berhad (“the Company”) Board of Directors (“the Board”) to provide assistance to the Board with the following primary objectives:
- 1.1.1 To provide independent oversight of the Company/ Group’s financial reporting and internal control systems that facilitates appropriate checks and balances within the Company/ Group.
- 1.1.2 To serve as an independent and objective party in the review, where appropriate, of the financial information of the Company/ Group that is presented by the Management to the Board and Shareholders.
- 1.2 For the purpose of this document, “the Group” refers to all entities for which the Company has management control, which includes all subsidiaries.

2. COMPOSITION AND APPOINTMENT

- 2.1 The Committee members shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, all of whom shall be Independent Non-Executive Directors. At least one (1) member of the Committee:
- i. Must be a member of the Malaysian Institute of Accountants; or
 - ii. Have at least three (3) years’ working experience in accounting or finance and:
 - passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - 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.
- 2.2 All Committee members shall be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process.
- 2.3 No alternate Director shall be appointed as a member of the Committee.
- 2.4 The Chairman of the Committee shall be an Independent Director appointed by the Board. The responsibilities of the Chairman, amongst others, are as follows:
- Planning and conducting meetings;
 - Updating the Board on the activities undertaken by the Committee on a regular basis including significant matters and resolutions made by the Committee at each Board meeting;
 - Encouraging open discussion during meetings; and
 - Developing and maintaining active on-going dialogue with Senior Management.
- 2.5 The Chairman of the Committee shall not be the Chairman of the Board.
- 2.6 The Committee members may relinquish their membership in the Committee with prior written notice to the Secretary.

- 2.7 If a member of the Committee resigns or for any reason ceases to be a member of the Committee and the vacancy results in non-compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, then the Board shall fill the vacancy within three (3) months from that event.

3. AUTHORITY

- 3.1 The Committee is authorised by the Board to perform the following:
- 3.1.1 Secure the resources in order to perform its duties as set out in its terms of reference.
 - 3.1.2 Investigate any activity within its terms of reference and shall have direct communication channels with Senior Management.
 - 3.1.3 Have full and unrestricted access to information pertaining to the Company and the Group, their records, properties and personnel in the performance of its duties.
 - 3.1.4 Obtain external legal or other independent professional advice as necessary.
 - 3.1.5 Convene meetings with Management, and if appropriate, the Secretary, wherever deemed necessary.
- 3.2 The Committee shall report to the Board on matters considered and its recommendations thereon, pertaining to the Group.

4. FUNCTIONS AND DUTIES

The main functions and duties of the Committee shall include, but are not limited to the following:

4.1 Financial Reporting and Internal Controls

- 4.1.1 To review the quarterly results and year-end financial statements of the Company/ Group prior to approval by the Board to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.
- 4.1.2 To review and recommend any changes in accounting policies and improvement in the system of internal control, where deemed necessary.
- 4.1.3 To determine that the Company/ Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Company/ Group.
- 4.1.4 To evaluate the adequacy and effectiveness of the internal control environment of the Company through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses, and to determine that appropriate corrective actions are being taken by the Management.

- 4.1.5 To review the adequacy of disclosure in the Directors' Report, corporate governance statement and other financial reports, including preliminary announcements in relation to the preparation of financial statements.
- 4.1.6 To review third-party opinions on the design and effectiveness of the Company's internal control framework.

4.2 Internal and External Audit

- 4.2.1 With respect to external auditors:
- i. To recommend the annual appointment, reappointment, resignation or removal of the external auditors.
 - ii. To recommend to the Board for approval the annual audit fees.
 - iii. To review and consider any request to dismiss the external auditor or reasons for resignation by the external auditor.
 - iv. To review and deliberate scope of audit, audit plan and audit reports and ensure coordination where more than one audit firm is involved.
 - v. To approve the appointment of and fees payable to the external auditors for the provision of non-audit services after having considered the scope of non-audit services and assurance provided by the external auditor that their independence will not be impaired and their professional judgement will not be jeopardised.
 - vi. To consider the external auditor's management letter on audit findings and recommendations including matters for improvement in the Company/Group's systems of internal control.
 - vii. To provide a forum for the prompt resolution of issues arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of Management where necessary).
 - viii. To ensure that no restrictions are being placed by the Management and employees on the scope of the external auditor's examinations or access to the Company/Group's records for audit purposes.
 - ix. To assess the objectivity, performance and independence of the external auditor. The assessment on the suitability, objectivity and independence of the external auditor to be conducted annually.
 - x. To obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
 - xi. To maintain regular, timely and open communication with the external auditor, and requiring the external auditor to report to the Committee on significant matters. To meet with the external auditor without the presence of Management, at least twice a year.

4.2.2 With respect to internal audit:

- i. To review and approve the Internal Audit Charter of the Company/ Group.
- ii. To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit function and that they have the necessary authority to carry out their work.
- iii. To review and approve the scope of audit, audit plan and audit reports of the internal auditors and ensure issues are being managed and rectified appropriately and recommend actions to be taken by Management, where appropriate. Encompassing
- iv. To ensure that no restrictions are being placed by the Management and employees on the scope of the internal auditors' examinations.
- v. To establish a mechanism to assess the competency, performance and effectiveness of the internal audit function.
- vi. To recommend the appointment, transfer, dismissal, performance evaluation and remuneration of the Chief Internal Auditor.

Each entity (AMMB Holdings Berhad, AmBank (M) Berhad, AmBank Islamic Berhad, AmInvestment Bank Berhad, and AmGeneral Insurance Berhad) shall have one vote of equal weightage, and in case of equality of votes, the Chairman shall have a casting vote.

- vii. To provide oversight on the adequacy of resources and remuneration of the internal auditors.
- viii. To take cognisance of resignation of the Chief Internal Auditor and his/ her direct reports and provide the resigning individual an opportunity to submit his/ her reasons for resigning.
- ix. To have direct communication channels with the internal auditors and able to meet with the internal auditor without the presence of Management.
- x. To note disagreements between the Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

4.3 Special Audits and Investigations

- 4.3.1 To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.
- 4.3.2 To direct and supervise any special project or investigation considered necessary or as requested by the Board.

4.4 Related Party Transactions and Conflicts of Interest

- 4.4.1 To review and report to the Board any related party transactions and conflict of interest situations that may arise within the Company/Group including transactions, procedures or course of conduct that raises questions of Management and Directors' integrity and keep the Board updated of such transactions in a timely manner.

4.5 Reporting to the Board

- 4.5.1 To prepare, when deemed necessary, periodic reports to the Board, summarising the work performed in fulfilling the Committee's primary responsibilities.

5. MEETINGS**5.1 Frequency and Attendance**

- 5.1.1 The Committee shall meet at least quarterly in a financial year. The Chairman of the Committee, 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 Committee or should circumstances require.
- 5.1.2 There shall be in attendance at the meeting of the Committee by invitation the Group Chief Executive Office, Chief Internal Auditor and members of Management, and such other persons as deemed necessary by the Committee.
- 5.1.3 Committee members are expected to attend at least 75% of total Committee meetings in any applicable financial year.

5.2 Meeting Agenda and Papers

- 5.2.1 The agenda and meeting papers shall be circulated at least seven (7) calendar days before each meeting to the Committee members.

5.3 Quorum

- 5.3.1 The quorum for a meeting of the Committee shall be two (2) members.
- 5.3.2 In the absence of the Chairman, the remaining members present shall elect one of their Independent Non-Executive members as Chairman of the meeting.

5.4 Meeting Mode

- 5.4.1 A meeting shall be conducted in person or via telephone conference or video conference or similar communications equipment or other appropriate means as determined by the Committee to enable effective discussion.
- 5.4.2 The Committee 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 Committee duly convened.

- 5.4.3 Approval of Committee obtained by a Circular Resolution must be signed or approved by all Committee members, subject to 5.5.2. Circular resolutions which have been passed since the last Committee meeting should be circulated for notation of the Committee at the next meeting.

5.5 Voting

- 5.5.1 All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the Committee shall have a second or casting vote. Where two (2) directors form a quorum, the Chairman of the meeting at which only such a quorum is present or at which only two (2) directors are competent to vote on the question at issue shall not have a casting vote.
- 5.5.2 A Committee 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.

5.6 Meeting Minutes

- 5.6.1 Minutes shall be duly recorded by the Secretary and approved by the Chairman of the meeting at which the proceedings are held, or by the Chairman of the next succeeding meeting.
- 5.6.2 Copies of minutes of each meeting shall be distributed to all members of the Board for information, and to all members of the Committee and relevant Senior Management members to ensure proper key actions are acted upon.

5.7 Secretary

- 5.7.1 The Company Secretary or nominee shall act as the Secretary of the Committee.

6. ANNUAL PERFORMANCE ASSESSMENT

- 6.1 The Board shall review the composition, performance and effectiveness of the Committee and each of its members annually to determine the effectiveness of the Committee and each of its members in carrying out the duties as set out in this Terms of Reference.
- 6.2 All such assessments shall be properly documented.

7. REVIEW OF THE TERMS OF REFERENCE

- 7.1 The Committee shall review and assess the adequacy of this Terms of Reference on a periodic basis determined by the Committee or as and when necessary. Any proposed changes to the Terms of Reference shall be approved by the Board.