

## AJIYA BERHAD

Registration No. 199601005281 (377627-W)

### TERMS OF REFERENCE OF AUDIT COMMITTEE

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#### 1. OBJECTIVE

The Audit Committee (“AC”) assists the Board in discharging its fiduciary duties and oversight responsibilities relating to financial reporting process, system of risk management and internal controls of Ajiya and its subsidiaries (“the Group”). The AC also assists in overseeing and evaluating the quality of the audits conducted both by the internal and external auditors, ensuring the compliance with applicable rules and regulations as well as maintaining open lines of communication between the Board, the internal and external auditors for the exchange of views and information.

#### 2. MEMBERSHIP

2.1 The AC shall be appointed by the Board from amongst its Directors which fulfils the following requirements:-

- a) The AC must be composed of not fewer than 3 members. All the AC members must be non-executive directors, the majority of whom shall be independent directors.
- b) At least one (1) member of the Committee:
  - 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 3 years’ working experience and:
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
  - iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).
- c)
  - i) The members of the AC must elect a Chairman among themselves who is an Independent Director.
  - ii) The Chairman of the Board should not be the Chairman or a member of the AC.
- d) No alternate director is appointed as a member of the AC.
- e) No former audit partner of the external audit firm and/or the affiliate firm shall be appointed as a member of the AC unless he has observed a cooling off period of at least three (3) years before appointment.

2.2 In the event of any vacancy in the Committee resulting in the non-compliance of Clause 2.1 (a) (b) and (c)(i) above, the vacancy must be filled within 3 months.

2.3 The membership of the Committee shall be terminated upon the cessation of him/her as a Director of the Company, or as determined/revoked by the Board.

### **3 PROCEDURE OF THE AUDIT COMMITTEE MEETINGS**

#### **3.1 Chairman**

- a) All meetings shall be chaired by the Chairman. If the Chairman is absent at any meeting, the other members of the AC shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.
- b) The Chairman of the AC at each Board Meeting, will report a summary of significant matters and resolutions made within its purview, for the Board's attention or approval.

#### **3.2 Secretary**

- a) The Company Secretary shall be the Secretary to the Committee.
- b) The Secretary is responsible for preparing meeting agenda, in consultation with the Chairman of AC and distributes to all members together with the papers to be deliberated at the meeting.

#### **3.3 Notice**

- a) Written notice of the meeting together with the agenda shall be given to the members of the Committee and any other person invited to attend the meeting, where applicable.

#### **3.4 Quorum**

- a) The quorum for meetings of the Committee shall be two (2) members and shall comprise of independent directors.

#### **3.5 Conduct of Meeting**

- a) The Committee shall meet four (4) times each year and at such other times as it deems necessary.
- b) The Chairman may convene a meeting of the Committee if a request is made by any member, Directors, external auditor or internal auditor to consider any matters within the scope and responsibilities of the Committee.
- c) Members of the Committee may participate in the AC meeting by means of teleconference, video conference or any other form of audio/visual communication and such participation shall constitute and be deemed to be present in person.
- d) The Committee should meet with the external auditors without the presence of the executive board members at least twice a year.
- e) All decision of the Committee shall be adopted by a majority vote.
- f) In the event of an equality of votes the Chairman of the meeting shall have a second or casting vote.
- g) An AC member shall abstain from deliberations and voting in respect of any matter in which he/she has direct or indirect interest.
- h) Where necessary and appropriate, decision of the AC can be made or passed by way of a written circular resolution. A resolution in writing signed or approved in any form of electronic communications by a majority of all members shall be valid and effectual as if it had been passed at a meeting of AC duly convened and held. Any such resolution may consist of several documents in the like form, each signed by one or more members.
- i) The external auditors, internal auditors, the head of finance and Chief Executive Officer should normally attend meetings. The AC may, as and when deemed necessary, invite other Board members, Management members and any other person deemed necessary to attend the meetings.

### 3.6 Minutes

- a) The Secretary shall ensure that a formal record of Committee proceedings and minutes are maintained.
- b) The minutes of each AC meeting shall be tabled to the Board for notation.

## 4 AUTHORITY

The Committee shall, in accordance with the procedures determined by the Board and at the cost of the Company,

- a) have authority to investigate any matter within its Terms of Reference.
- b) have the resources and full and unrestricted access to all information which are required to perform its duties.
- c) have direct communication channels with the external auditors, internal auditor and senior management in order to be informed of matters affecting the Group.
- d) obtain independent professional or other advice.
- e) convene meetings with external auditors, the internal auditors or both, without the presence of executive director, management and employees of the Company, whenever deemed necessary.
- f) promptly report to the Bursa Malaysia Securities Berhad on matters which result in a breach of the Listing Requirement.

## 5 RESPONSIBILITIES

The responsibilities of the AC include:

### 5.1 Financial Reporting

- a) To monitor the integrity and review the Group's quarterly results and annual financial statements, prior to submission to the Board, focusing particularly on the following:
  - changes in or the implementation of major accounting policy and practices;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
  - significant adjustment arising from the audit
  - compliance with accounting standards and other regulatory requirements;
  - the going concern assumption

### 5.2 External Auditors

- a) To review with the external auditors on the following prior to reporting to the Board:
  - Audit plan and scope, including audit and non-audit services
  - Audit report
  - Evaluations of the system of risk management and internal controls
  - Audit approach, including coordination of audit efforts with internal auditors, and assistance given by the employees to the external auditors
  - External auditors' management letter and management's response thereto
  - Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors

- b) Assess the performance, including the suitability, objectivity and independence of the external auditors, which takes into consideration amongst others:-
  - the calibre, audit quality and resource capacity of external auditors in relation to the audit.
  - the appropriateness of audit fees to support a quality audit.
  - nature and extent of non-audit services rendered and the fees so as to maintain objectivity and independence of external auditors.
  - in ensuring the independence of external auditor, the AC shall obtain a 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.
- c) Recommend the nomination and consider the appointment, re-appointment, resignation and removal of external auditors and whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

### 5.3 Internal Controls

- a) Review the effectiveness and integrity of the Group's system of internal controls including financial, operational, information technology security and controls, risk management process and compliance procedures with respect to business practices by:
  - review and approve the annual internal audit plan including the audit approach, adequacy of the scope, independence and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit program and results of the internal audit assessments, the audit process, major findings and management's response and ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - approve the appointment or removal of the Internal Auditor and take cognizance of the appointment or termination of the internal audit coordinators/staff.
- b) Assess the performance and effectiveness of the internal audit function.

### 5.4 Related Party Transaction and Conflict of Interest

- a) Review and report to the Board the related party transactions including disclosures and values of mandates.
- b) Review and report to the Board the conflict of interest situations that arose, may arise and persist within the Group including any transaction, procedure or course of conduct that raises questions of management's integrity and the measures taken to resolve, eliminate, or mitigate such conflicts.
- c) Ensures that the transactions are fair, reasonable and undertaken on the Group's normal commercial terms and not detrimental to the interest of minority shareholders.

### 5.5 Other Matters

- a) Review the Audit Committee Report, Statement of Risk Management and Internal Control, Corporate Governance Overview Statement and, Corporate Governance Report to be published in the Company's Annual Report as well as review the compliance with the applicable corporate governance code and regulations.
- b) Oversee the implementation of Whistleblowing Policy of the Group.
- c) Report to the Board any suspected fraud or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations.

- d) To carry out any other function that may be mutually agreed upon by the Committee and the Board.

## **6 CONTINUOUS PROFESSIONAL DEVELOPMENT**

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

## **7 REVIEW**

The Terms of Reference shall be reviewed periodically or as and when necessary. Any proposed amendments of this Terms of Reference shall be approved by the Board.

Updated and approved by the Board on : 19 October 2023
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