

## **BOILERMECH HOLDINGS BERHAD (COMPANY NO. 897694-T)**

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

#### **1. MEMBERSHIP**

- 1.1 The Audit Committee shall comprise at least three (3) Directors, the majority of whom are Independent. All members of the Audit Committee shall be Non-Executive Directors.
- 1.2 At least one (1) member of the Audit Committee:
  - 1.2.1 must be a member of the Malaysian Institute of Accountants;
  - 1.2.2 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; 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; or
  - 1.2.3 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 1.3 No alternate Director shall be appointed as a member of the Audit Committee.
- 1.4 The Nomination Committee shall review the terms of office and performance of the Audit Committee and each of its members at least once a year to determine whether the Committee and members have carried out their duties in accordance with their terms of reference.
- 1.5 In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 1 and 2 above, the Board of Directors ("Board") shall fill the vacancy within three (3) months from the date of the vacancy.
- 1.6 The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an Independent Director.
- 1.7 The Chairman of the Audit Committee shall not be the Chairman of the Board.
- 1.8 No former key audit partner can be appointed as a member of the Audit Committee provided the audit partner observed a cooling-off period of at least two (2) years or as agreed and decided by the Board.

#### **2. SECRETARY**

- 2.1 The Company Secretary shall be the Secretary of the Audit Committee. The Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee to the Board and ensure that the minutes are properly kept and produced for inspection if required.

### **3. MEETINGS, ATTENDANCE AND QUORUM**

- 3.1 The Audit Committee shall meet at least four (4) times annually. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
- 3.2 Non-member Directors and employees of the Company shall not attend any Audit Committee meetings unless specifically invited by the Audit Committee.
- 3.3 The Audit Committee shall meet the External Auditors at least twice a year without the presence of the Management or Executive Directors.
- 3.4 The Audit Committee shall report to the Board.

### **4. AUTHORITY**

- 4.1 The Audit Committee has the authority to investigate any matter within its terms of reference, at the cost of the Company and with the following:
  - (a) the resources which are required to perform its duties;
  - (b) full and unrestricted access to any information pertaining to the Company;
  - (c) direct communication channels with the External Auditors and the Internal Auditors;
  - (d) ability to obtain independent professional or other advice; and
  - (e) ability to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company or Group, whenever deemed necessary.
- 4.2 The Internal Auditors shall report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit. All proposals by Management regarding the appointment, transfer and removal of the Internal Auditors of the Company shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.

### **5. FUNCTIONS**

- 5.1 To review the quarterly and annual financial statements of the Company, before the approval of the Board of Directors, focusing particularly on:
  - (a) changes in or implementation of major accounting policies and practices;
  - (b) significant adjustments arising from the audits;
  - (c) compliance with accounting standards and other legal requirements;
  - (d) the going concern assumption; and
  - (e) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions and how these matters are addressed.

- 5.2 To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 5.3 To review the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- 5.4 To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
- 5.5 To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures.
- 5.6 To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
- 5.7 To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Company.

Specifically:

- (a) to review the internal audit plans and to be satisfied with their consistency with the results of the risk assessment made, the adequacy of coverage and the audit methodologies employed;
  - (b) to be satisfied that the internal audit function within the Company has the proper resources and authority to enable them to complete their mandates and approved audit plans;
  - (c) to review status reports from internal audit and ensure that appropriate action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
  - (d) to review the effectiveness of the Internal Auditors and to recommend to the Board, the reappointment, termination or replacement of the incumbent and the appointment of any other Internal Auditor;
  - (e) to ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
  - (f) to request and review any special audit which it deems necessary.
- 5.8 To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
  - 5.9 To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.
  - 5.10 To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence.

- 5.11 To be advised of significant use of the External Auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their independence and objectivity as External Auditors are not deemed to be compromised.
- 5.12 To review the External Auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.
- 5.13 To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal Auditors and External Auditors and from the consultations of the Audit Committee itself.
- 5.14 To prepare the annual Audit Committee Report to the Board which includes information such as the composition of the Audit Committee, the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member, a summary of works of the Audit Committee in the discharge of its functions and duties during the financial year and how it has met its responsibilities, the existence of an internal audit function, a summary of the works of the internal audit function for inclusion in the annual report and the evaluation of the External Auditors and Internal Auditors.
- 5.15 To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.
- 5.16 To review ordinary and extraordinary dividend payments.
- 5.17 To review the assistance given by the employees of the Company to the External Auditors.
- 5.18 To recommend the nomination of a person or persons as External Auditors.