

# AMANAHRAYA ■ KENEDIX

## REIT MANAGER

(856167-A)

*(Formerly known as AmanahRaya-REIT Managers Sdn. Bhd.)*

Registration No. 200901013113 (856167-A)  
(Incorporated in Malaysia)

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**THE TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF AMANAHRAYA-KENEDIX REIT MANAGER SDN BHD (FORMERLY KNOWN AS AMANAHRAYA-REIT MANAGERS SDN. BHD.) ("AKRM", "COMPANY" OR "MANAGER") ("AC" OR "THE COMMITTEE") AS APPROVED BY THE BOARD OF DIRECTORS OF AKRM ("BOARD") ON 24 NOVEMBER 2017.**

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### **1.0 THE OBJECTIVES OF THE COMMITTEE**

The objectives of the Audit Committee ("AC") are as follows:

- a) To provide assistance to the Board of Directors ("Board") in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices, the system of internal controls, governance, risk management systems, including systems for compliance with regulatory and statutory requirements;
- b) To review periodic reports from relevant departments and external auditors on the Company's and portfolio under management and highlight all relevant issues (if any) to ensure transparency, integrity and accountability in financial reporting and highlight any significant matters to the Board; and
- c) To ensure that all the results of internal and external audit findings are presented to the Board

### **2.0 COMPOSITION OF THE COMMITTEE**

- 2.1 Members of the AC shall be appointed by the Board from among its members and shall comprise at least three (3) members, all of whom are Non-Executive Directors with the majority of them being Independent Directors.
- 2.2 Members of the AC must have the required skills to engage with the Management and auditors and be prepared to raise key and probing questions about the Company's financial and operational risks, compliance with approved financial reporting standards and other relevant regulatory requirements.
- 2.3 Members of the AC should be financially literate with at least one (1) member of the AC being:
  - a. a member of the Malaysian Institute of Accountants ("MIA"); or
  - b. if he/she is not a member of the MIA, he/she must have at least three years working experience and:

- i. he/she must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
- ii. he/she 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
- c. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

2.4 No alternate director shall be appointed as a member of the AC.

2.5 In the event of any vacancy resulting in non-compliance of the minimum three (3) members and the election of an independent chairman, the Board shall, upon the recommendation of the Nomination Committee, appoint such number of members to fill the vacancy and/or elect an independent chairman within three (3) months of the event.

### **3.0 CHAIRMAN**

3.1 The appointment of Chairman of the AC shall be approved by the Board and the Chairman shall be an Independent Non-Executive Director.

3.2 The Chairman should assume, amongst others, the following responsibilities:

- a) Planning and conducting meetings;
- b) Overseeing reporting to the Board;
- c) Encouraging open discussion during meetings; and
- d) Developing and maintaining an active on-going dialogue with Senior Management and both internal and external auditors.

### **4.0 REVIEW OF THE COMMITTEE**

4.1 The term of office and performance of the AC and each of its members shall be reviewed by the Nomination and Remuneration Committee and the Board of Directors at least once a year to determine that the AC and its members have carried out their duties in accordance with the terms of reference.

## **5.0 SECRETARY**

- 5.1 The Company Secretary shall be the Secretary of the Committee. In the absence of the appointed Secretary, any executive from the Company Secretarial Division may act as secretary of the meeting on his behalf.
- 5.2 The Secretary shall also be responsible for keeping the minutes of meetings of the AC and circulating them to the AC members.

## **6.0 MEETINGS & QUORUM**

- 6.1 The AC shall meet once in every three (3) months or any date which may be decided by the Chair.
- 6.2 Additional meetings may be called at any time if so requested by any AC member, the Management, internal auditors or external auditors.
- 6.3 The quorum for an AC meeting shall be a majority of independent directors.
- 6.4 Attendance at a meeting may be by being present in person or by participating in the meeting by video or teleconference. Members of the AC who participate in a meeting of the AC by video or teleconference or any other communication equipment shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 6.6 The Group Managing Director, Chief Financial Officer and other Executives shall be invited to attend meetings at the AC's discretion.
- 6.7 The Notice and Agenda for each AC meeting shall be sent to all members of the AC and any other persons who may be required to attend at least seven (7) days before the date of the meeting.
- 6.8 Question arising at any meeting shall be decided by a majority of the votes. In case of equality of votes, the Chairman shall have a second or casting vote.

## **7.0 CIRCULAR RESOLUTION**

- 7.1 A circular resolution in writing (if only deemed necessary by the AC Chairman) shall be valid and effectual if it is approved and signed by ALL members of the AC as if it had been passed at a meeting of the Committee. All such resolutions shall be described as "Audit Committee Members' Circular Resolution/(s)".
- 7.2 Any such resolution may consist of several documents in like form, each signed by one or more AC members, taking the form of documents in writing, cable or other written electronic

communication shall be valid and effectual as if it had been passed by the AC meeting duly called and constituted.

## **8.0 AUTHORITY**

8.1 In carrying out its duties and responsibilities, in accordance with the procedures to be determined by the Board and at the cost of the Manager, the AC shall have the authority to:

- a) Initiate investigation of any activity within its terms of reference and to seek any information it requires from the Management and/or any employee.
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Manager;
- d) Have direct communications channels with the external auditors and internal auditors, and also to engage the senior management on a continuous basis, such as the Chairman, the Group Managing Director and the Chief Financial Officer in order to be kept informed of matters affecting the Manager.
- e) Obtain external legal or other independent professional advice, opinion and/or reports and to secure the attendance of external parties with relevant experience and expertise, whenever deemed necessary.
- f) Convene meeting with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Manager, whenever deemed necessary.

## **9.0 DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

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

### **9.1 Overseeing Financial Reporting**

9.1.1 Review the quarterly financial results and year-end financial statements of the Company and all portfolios under Management before the approval by the Board, focusing particularly on:

- a) Changes in or implementation of major accounting policy changes;
- b) Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
- c) Significant or material adjustments arising from the audit;

- d) Compliance with applicable financial reporting standards, regulatory requirements and other legal requirements; and
- e) The going concern assumption.

## 9.2 External Auditor

- 9.2.1 To recommend to the Board on matters of the appointment, re-appointment, resignation, dismissals, replacements of external auditors, and their audit fees.
- 9.2.2 Review with the external auditors on the following and report the same to the Board:
  - a) Audited Financial Statements of the Company;
  - b) Audit plan, which comprises audit and non-audit services, scope of the audit and areas of audit for the Company to ensure that they are not likely to create conflicts of interest, so as to maintain objective and independence of external auditors;
  - c) Audit report prepared by the external auditors;
  - d) Evaluations of the system of internal controls;
  - e) Audit approach, including coordination of audit efforts with internal audits, and assistance given by the employees to the external auditors;
  - f) External auditors' management letters and reports and Management's response thereto; and
  - g) Any significant audit findings, reservations, difficulties encountered or material weaknesses arising from the audit and/or reported by the external auditors.

## 9.3 Group Internal Audit ("GIA")

- 9.3.1 Review with the GIA on the following and report the same to the Board:
  - a) Effectiveness of the Manager's internal control systems, which includes amongst others, operational, compliance and information technology security and control;
  - b) Adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out the audit works; and
  - c) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

9.4 Review the following and report the same to the Board:

- a) The Statement on Internal Control and Risk Management and the Report of Audit Committee to be published in the Annual Report;
- b) The findings of any examination, assessment or audit by regulators; and
- c) Any related-party transactions and conflict of interests situation that may arise within AmanahRaya REIT and the Manager including any transaction, procedure or course of conduct that raises questions of management integrity.

9.5 Risk Management

9.5.1 Review with the Head of Group Compliance, Integrity and Risk Management Division on the following and report the same to the Board:

- a) Oversee the development and annual review of a policy and plan for risk management to recommend the principles, framework and process for managing risks within the Company, for consideration and approval by the Board;
- b) Review and recommend the annual Corporate Risk Profile which specifies key enterprise risks, for approval by the Board;
- c) Review, monitor and assess the effectiveness of risk treatment/mitigation action plan(s) for the Management and control of the enterprise risks;
- d) Review, if necessary, together with other Committees, the Management, Group Internal Audit and external auditors, any significant risks that could affect the Company and assess the steps that the Management has taken to manage such risks;
- e) Review the annual risk management report on adequacy and effectiveness of risk management within AmanahRaya REIT and the Manager;
- f) Ensure that continuous risk monitoring by Management takes place;
- g) Review the compliance framework, the plan and the scope of work of the compliance function;
- h) Monitor the overall compliance to the internal policies, statutory and regulatory requirements as well as guidelines for the Company.