

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD  
REGISTRATION NO. 201001000001 (839839-M)**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**I. OBJECTIVE**

The objective of the **Audit Committee (“AC”)** is to support the Board of Directors (“the Board”) of the Bank by providing independent oversight on the financial reporting, internal control system (i.e. ensuring checks and balances within the Bank), risk management function and governance practices of the Bank.

**II. AUTHORITY**

The AC shall have explicit authority for:

- a) full access to and cooperation by the Management;
- b) unrestricted access to records, reports and information;
- c) approving the relevant policies where the changes made are merely administrative (i.e. with no significant changes to the policy’s approach, framework or standards);
- d) investigating any matter within its terms of reference; and
- e) be able to obtain independent professional advice externally as and when required and the cost of such advice shall be borne by the Bank.

**III. ROLES AND RESPONSIBILITIES**

The roles and responsibilities of the AC, among others, include:-

**1.0 Internal Audit**

To oversee the effectiveness of the internal audit function of the Bank, in particular:

- 1.1 Reviewing and approving the audit scope, procedures and methodologies (as stipulated in the Internal Audit Manual); as well as the annual audit plan;
- 1.2 Ensuring that internal audit function has the proper authority and is adequately staffed and resourced to carry out its responsibilities independently and effectively.
- 1.3 Ensuring adequate coverage by the internal audit function on critical areas (i.e. in compliance with the requirements of Bank Negara Malaysia, as well as industry standards); which include but are not limited to:
  - a) assessing the robustness and adequacy of controls implemented for management of money-laundering & terrorism financing (ML/TF) related risks (whereby the frequency and scope of audit conducted shall commensurate with the Bank’s ML/TF risk level);
  - b) reviewing the effectiveness of management of technology risk (i.e. to be supported with appropriate audit scope, procedures and frequency of technology audits); and
  - c) assessing the robustness of the control framework implemented for the management of sustainability and climate-related risks.

- 1.4 Reviewing key audit reports and ensuring that the Management has taken necessary corrective actions in a timely manner to address control weakness, non-compliance with laws, regulatory requirements, policies and other issues identified by the internal audit and other control functions;
- 1.5 Noting significant disagreements between the Chief Internal Auditor (“CIA”) and the Management, irrespective of whether they have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;
- 1.6 Reviewing and approving the appointment, transfer and/or dismissal of the CIA; and
- 1.7 Establishing a mechanism to assess the performance and effectiveness of the internal audit function; as well as appraising the performance of the CIA.

## 2.0 External Audit

To foster a quality audit of the Bank by exercising oversight over the external auditor in accordance with the expectations set out in Bank Negara Malaysia’s policy document on External Auditor, in particular:

- 2.1 Making recommendations to the Board on the appointment, re-appointment and removal; as well as the remuneration of the external auditor;
- 2.2 Monitoring and assessing the independence of the external auditor; which includes reviewing and approving the non-assurance services rendered by the external auditor;
- 2.3 Maintaining regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the AC in confidence on significant matters, including any improper conducts of the Bank’s operation or members of the Management;
- 2.4 Meeting with the external auditor without the presence of the Management at least annually; and
- 2.5 Ensuring that the Management has taken necessary corrective actions in a timely manner to address findings and recommendations highlighted by the external auditor.

## 3.0 Financial Reporting

To support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank, in particular:

- 3.1 Reviewing the quarterly results and year-end financial statements of the Bank for recommendation to the Board for approval, 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 the Management, significant and unusual events or transactions, and how these matters are addressed; and
  - c) compliance with accounting standards and other legal requirements.
- 3.2 Reviewing the accuracy and adequacy of the chairman’s statement in the directors’ report, corporate governance disclosures and interim financial reports in relation to the preparation of financial statements.

- 4.0 Related Party Transactions
  - 4.1 To review all related party transactions and keep the Board informed of such transactions.
  
- 5.0 Governance, Internal Controls and Risk Management
  - 5.1 To review the robustness of the Bank's governance practices, internal controls system and risk management related matters within its terms of reference;
  - 5.2 To periodically meet with Board Risk Management Committee to maintain exchange of information so as to ensure effective oversight coverage of all risks, including emerging risk issues that could have an adverse impact on the internal control system; and
  - 5.3 To review third-party opinions, when received, on the design, adequacy and effectiveness of the Bank's internal control framework.
  
- 6.0 Integrity
  - 6.1 To oversee the implementation and of the Whistleblowing Policy, and evaluate the effectiveness of how concerns are escalated and dealt with; and
  - 6.2 To monitor compliance with the Board's conflicts of interest policy.
  
- 7.0 Others
  - 7.1 To note the outcomes of, including any recommendations arising from, the independent credit reviews (ICR).
  - 7.2 Any other roles and responsibilities assigned by the Board from time to time.

#### **IV. SIZE AND COMPOSITION**

- 1.0 The AC must:-
  - 1.1 Have at least three (3) members of non-executive directors;
  - 1.2 Have a majority of independent directors; and
  - 1.3 Comprise at least one member who has accounting expertise or experience in the field of finance.

#### **V. PROCEDURES AND MEETINGS**

- 1.0 Quorum
  - 1.1 The quorum shall be two (2) members present in person with a majority being independent non-executive director.
  - 1.2 A majority of votes shall be required to pass or defeat any resolution. However, should there be only two (2) members in attendance (inclusive of Chairman of the AC), the vote must be unanimous in order to pass or defeat any resolution.
  - 1.3 Alternatively, the resolution mentioned above may be referred to the Board for decision; and any delegation of authority to the Chairman of the Board to handle the matter will be at the discretion of the Board.
  
- 2.0 Chairman of the Meeting
  - 2.1 The Committee meeting should be chaired by an independent director.
  - 2.2 The Chairman of the AC shall be appointed by the Board.

- 2.3 The AC meeting will be presided over by the Chairman of the AC or such independent director nominated by the meeting in the absence of the Chairman of the AC.
- 3.0 Attendance at the Meetings
- 3.1 The AC may invite other directors, the Chief Executive Officer and any other employees to its meetings to assist in the discharge of its responsibilities.
- 3.2 The meeting could either take place in a single physical location or by means of tele/video-conferencing or similar communication facilities available whereby all the participants can hear and communicate with each other simultaneously and instantaneously.
- 4.0 Secretary
- 4.1 The Company Secretary shall be the secretary of the AC.
- 4.2 In the absence of the Company Secretary, the Head of Internal Audit will be the secretary of the meeting.
- 5.0 Frequency of Meetings
- 5.1 The AC shall meet as frequently as may be necessary, but at least four times a year and in any case upon the requisition of any member of the AC to transact such matters as are set out in its terms of reference.
- 6.0 Notices and Materials of Meetings
- 6.1 At least one (1) week notice is required for any meeting. The notice of meeting may be shortened/waived, subject to the consent of all AC members.
- 6.2 The notice and agenda of meeting together with meeting materials should be circulated by the Company Secretary.
- 7.0 Minutes
- 7.1 Minutes of each meeting should be properly recorded and distributed to all the members of the AC.
- 7.2 The minutes of the AC meeting shall be tabled to the Board for information.
- 7.3 A resolution in writing, signed by all members of the AC, shall be as valid and effectual as if it had been passed at a meeting of the AC duly convened and held.

## VI. REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference of the AC will be reviewed as and when deemed appropriate so as to maintain its relevance with the business operation of the Bank and in line with the regulatory requirements and shall be subject to the approval of the Board.