



KPJ HEALTHCARE BERHAD

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. INTRODUCTION

The Audit Committee is established as a committee of KPJ Healthcare Berhad (KPJ) Board of Directors (the Board). The Audit Committee is appointed by the Board for the purpose of overseeing the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

2. OBJECTIVES

The Audit Committee's objectives are as follows:-

- a) To ensure transparency, integrity and accountability in the Group's activities to safeguard the rights and interests of the shareholders;
- b) To assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- c) To improve the Group's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Group's reported financial results;
- d) To maintain a direct line of communication between the Board and the External and Internal Auditors;
- e) To ensure the independence of the External and Internal Audit functions; and
- f) To create a climate of discipline and control which would reduce the opportunity for fraud.

3. COMPOSITION

- a) The Committee members shall be appointed by the Board, amongst its Directors which fulfils the following requirements:
 - i) the Committee must comprise of not less than three (3) members;
 - ii) all members must be Non-Executive Directors, with a majority of them being Independent Directors;
 - iii) at least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR) i.e.:
 - must be a member of the Malaysian Institute of Accountants (MIA) or
 - if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience, and:
 - ✓ must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - ✓ must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

- iv) former key audit partner and any other professionals with previous dealing with the Company are to observe at least a 2-year cooling-off period before being appointed as a member of the Audit Committee; and
- v) fulfil such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- b) The Chairman from the Committee that is elected by the Board shall be an Independent Director as set by MMLR;
- c) The term of office and performance of the Committee shall be reviewed by the Board to determine whether the Committee has carried out its duties in accordance with its terms of reference; and
- d) No alternate Director of the Board shall be appointed as a member of the Committee.
- e) The Audit Committee may invite members of KPJ Management or staff or outside parties to attend and participate in the meetings where necessary.

4. MEETINGS – FREQUENCY, QUORUM & MINUTES

- a) The Committee shall meet at least four (4) times a year, which is on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities. Additional meetings may be called at any time at the Chairman's discretion;
- b) The quorum of the meeting of the Audit Committee shall consist of not less than three (3) members; the majority of members present must be Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from among the members present;
- c) The minutes of the meeting shall be action oriented and record the deliberations and decisions of the Audit Committee. This includes the key deliberations, rationale for each decision made and any other significant concerns and dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself from deliberating on a particular matter. The minutes shall include compiled Board instructions as Matters Arising for discussion to ensure proper follow through;
- d) Any member who participates in the meeting via teleconferencing device shall be counted for the purpose of determining a quorum.
- e) The External Auditor shall be invited to attend the meeting to present their findings and opinion to the financial statements. The Committee has the right to convene a separate meeting with the Internal Auditors, External Auditors or both, without the attendance of Management; and
- f) The Company Secretary, who acts as the secretary of the Committee meeting plays an important role in organising and providing assistance for the meetings. The meeting agenda shall be drawn up in consultation with the Chairman of the Committee. The minutes shall be circulated to and confirmed by the Committee before disseminating it to the Board.

5. AGENDA

- a) The notice of the Audit Committee meeting shall be issued and circulated confirming the venue, time and date at least seven (7) days before each meeting to the Audit Committee members and all those who are required to attend the meeting.

- b) The agenda for each meeting including relevant documents and information requested by the Audit Committee shall be circulated at least seven (7) days before each meeting to the Audit Committee members and all those who are required to attend the meeting.
- c) The meeting agenda shall be the responsibility of the Chairman with input from the Audit Committee members. The Chairman may also invite members of Management and other persons to participate in this process, where necessary.

6. DUTIES AND FUNCTIONS

The duties of the Committee shall be:-

a) Financial Reporting

- i) To review and recommend acceptance or otherwise of accounting policies, principles and practices;
- ii) To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review shall focus primarily on:
 - public announcement of results and dividend payment;
 - any changes in existing accounting policies or implementation of new accounting policies;
 - major judgment areas, significant and unusual events;
 - significant adjustments resulting from the audit;
 - the going concern assumptions;
 - compliance with accounting standards; and
 - in compliance with MMLR and other legal and statutory requirements.
- iii) To review with Management and the external auditors the results of the audit, including any difficulties encountered.

b) Internal Control

- i) To assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations; and
- ii) To review the findings on internal control within the Group by the Internal and External Auditors.

c) Internal Audit

- i) To approve the Audit Charter and ensure the Internal Audit functions are adequately resourced;
- ii) To review the adequacy of the Internal Audit Plan, the scope of audits and that the Internal Audit function has the necessary authority, competency and resources to carry out its work;
- iii) To review the results of the Internal Audit process and where necessary, to ensure that appropriate action is taken on the recommendations of the Internal Audit function;
- iv) To approve appointment, replacement and dismissal of the Head of Internal Audit;
- v) To evaluate the performance of the Head of Internal Audit; and
- vi) To direct any special investigation to be carried out by the Internal Audit.

d) External Audit

- i) To review the External Audit plans, the scope of work and their audit reports;
- ii) To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal of the External Auditor before making any recommendation to the Board;
- iii) To discuss issues and reservations arising from the interim and final audits, as well as any matters the Auditor may wish to discuss;
- iv) To review the External Audit Reports and Management's response and actions taken in respect of the findings; and
- v) To review the independence and objectivity of the External Auditors and their services, including non-audit services.

e) Corporate Governance

- i) To review the effectiveness of the system for monitoring compliance in line with the laws and regulations, the results of Management's investigation and follow up (including disciplinary action) of any instances of non-compliance;
- ii) To review the findings of any examinations by regulatory authorities;
- iii) To review reports of related party transactions, deliberated on the nature of the transactions and that proper disclosure were made in line with the listing requirement;
- iv) To review any conflict of interest situation that arises within the Group including any transaction, procedure or course of conduct that raises questions on integrity; and
- v) To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.

f) Other Matters

Consider such other matters as the Committee considers appropriate or as authorized by the Board.

7. LIMIT OF AUTHORITY

The Committee is empowered by the Board to:-

- a) investigate any matter within its terms of reference or as directed by the Board;
- b) determine and obtain the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Group;
- d) have direct communication channels with the External and Internal Auditors; and
- e) obtain external independent professional advice, legal or otherwise deemed necessary.

8. REPORTING TO THE BOARD

The Chairman of the Committee shall report and provide recommendations to the Board on any matter that need to be brought to the Board's attention and approval at the Board meeting.

9. ACCESS TO INFORMATION

The Audit Committee has the right to obtain all information necessary for the performance of its duties and functions including obtaining independent professional or other advice, full access to the Group records, properties and personnel.

10. REVIEW

This Terms of Reference shall be assessed and reviewed on an annual basis and updated as necessary. Any changes to the Term of Reference shall be recommended and updated as appropriate to the Board for approval.

11. WRITTEN RESOLUTION

- a) Decision by the Audit Committee may be made via written resolution.
- b) Decision made via written resolution is deemed effective after being executed by majority of the members who are present in Malaysia.

All decisions and /or approvals made via written resolution shall be presented at the subsequent Committee meeting for notation.

**This Terms of Reference was reviewed by the Audit Committee on
21 August 2020 and approved by the Board on 26 August 2020**