



**Audit Committee  
Terms of Reference**

**21 January 2020**



## Constitution

The Board of Directors (“the Board”) of EcoFirst Consolidated Berhad (“ECB/the Company”) is pleased to appoint the Audit Committee for the purpose of overseeing the financial reporting process and system of internal control within the Group.

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## Objective

The principle objective of the Audit Committee (“AC” or “Committee”) is to assist the Board in fulfilling the following key responsibilities:

- (i) Assessing internal control systems;
  - (ii) Overseeing the financial reporting procedures;
  - (iii) Evaluating the internal and external audit process;
  - (iv) Reviewing conflict of interest situations and related party transactions and
  - (v) The process and compliance with the Main Market Listing Requirement
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## Composition

- a) The Committee is appointed by the Board and consists of at least three (3) members. All the Committee members must be Non-Executive Directors, with a majority of them being Independent Directors to fully comply with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).
- b) The Chairman is one (1) of the appointed Independent Non-Executive Directors elected by the members. In the absence of the Chairman, the meeting shall be chaired by an Independent Non-Executive Director.
- c) 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 Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:-
    - o He must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or



- He must be a member of one (1) of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- d) No Alternative Director shall be appointed as a member of the Committee.
- e) To safeguard the independence of the AC, a cooling off period of at least two (2) years is to be observed before a former key audit partner is appointed as a member of the Committee.

In the event of any vacancy resulting that the number of members is reduced to below three (3), the vacancy must be filled within three (3) months from the date of that event.

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

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### **Quorum and Frequency of Meetings**

- a) Any two members of the Committee may form a quorum, provided the majority of members present must be Independent Non-Executive Directors and any decision shall be by a simple majority.
- b) The Committee shall meet at least four (4) times a year. The Committee may call such additional meetings as the Chairman decides are necessary for the Committee to fulfil its obligations.
- c) The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting by giving not less than three (3) clear days’ notice thereof unless such requirement is waived by all members. However, consent from member that is overseas is not required.
- d) Written notice of the meeting together with the agenda shall be given to the members of the Committee.
- e) In the event that the Chairman is unable to attend a meeting, a member of the Committee shall be nominated as Chairman of the meeting. The nominated Chairman shall be an Independent Chairman.



- f) The Chairman of the Committee or in his absence, the Chairman of the meeting shall not have a casting vote.
  - g) The external auditors and internal auditors may request a meeting if they consider it necessary in any Committee meeting.
  - h) At least twice in a financial year, the Committee shall meet with the external auditors without any Executive Directors or the Management present.
  - i) The Committee shall report to the Board and its minutes tabled and noted by the Board
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### **Secretary and Minutes**

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Committee.

Minutes of the proceedings of Committee meetings shall be recorded by the Secretary, approved in draft form by the Chairman and circulated to all the Committee members. Wherever possible, minutes of the Committee meetings will be confirmed at the next meeting and signed by the Chairman.

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### **Agenda**

A notice of each meeting confirming the date, time, venue and shall be forwarded to the Committee seven (7) days in advance before the date of meeting.

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### **Attendance at Meetings**

The Group Chief Executive Officer (“GCEO”) and Financial Controller (“FC”) shall attend the Committee meetings. Other senior management team may attend the meeting upon the invitation of the Committee. The Committee may obtain external professional advice and assistance to enable it to discharge its duties as it considers appropriate.

The Committee may invite other Directors and employees to the meeting to brief the Committee on issues that are incorporated into agenda.

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## **Authority and Access to Information**

The AC shall, in accordance with a procedure determined by the Board and at the cost of the Company:

- a) The Committee shall have explicit authority to investigate any matter within its terms of reference. It shall have the authority to seek any information it requires from any employee of the Group and all employees are directed to cooperate with any request made by the Committee.
- b) The Committee shall have full and unrestricted access to any information pertaining to the Company and all the resources required to perform its duties. The Committee can seek for external legal or other independent professional advice it considers necessary.
- c) The Committee shall have direct communication channels with the internal and external auditors and be able to convene meetings with internal and/or external auditors, excluding the attendance of other Directors and employees of the Group whenever deemed necessary.
- d) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall report such matter to Bursa Securities.

The Committee is authorised to make recommendations to the Board regarding appropriate actions resulting from any such assessment.

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## **Duties and Responsibilities**

The following are the main duties and responsibilities of the Committee, and where appropriate, the Committee reports to the Board on the following:

### **a) Financial Reporting**

- (i) Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Securities, focusing particularly on:
  - Any changes in or implementation of accounting policies and practices;
  - Significant or material adjustments with financial impact arising from the audit;
  - Significant unusual events or exceptional activities;



- Financial decision-making with the presumptions of significant judgments;
  - The going concern assumptions; and
  - The appropriateness of Management's selection of accounting policies and disclosures in compliance with approved accounting standards, stock exchange and other regulatory requirements.
- (ii) Propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance 2017 ("MCCG"), other applicable laws, rules, directives and guidelines.

#### **b) External Audit**

- (i) Recommend the appointment or re-appointment of the external auditors and audit fee to the Board, after reviewing the suitability, resources, competency and independence of external auditors and the accounting firm.
- (ii) Make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- (iii) Review and discuss the nature and scope of the external audit strategy and plan for the year.
- (iv) Review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditor's evaluation of the system of internal control and any other matters the external auditor may wish to discuss (in the absence of Management, if required).

#### **c) Internal Audit**

- (i) Review the adequacy of the scope, functions, competency, resources and authority of the internal audit function in carrying out its work.
- (ii) Review the risk-based internal audit plans and programmes.
- (iii) Ensure co-ordination between the internal and external auditors.



- (iv) Review the major findings reported by internal audit and follow up on Management's implementation of the recommended actions.
- (v) Annually assess performance of services provided by the internal audit function.
- (vi) Any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function.

#### **d) Related Party Transactions**

Review and recommend to the Board matters regarding any related party transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Company, including any transaction, procedure or course of conduct that raises questions on Management's integrity.

#### **e) Internal Control**

- (i) Review the adequacy and effectiveness of the internal control and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.
  - (ii) Review and recommend to the Board, the Director's Statement on Internal Control and any changes thereto.
  - (iii) Ensure the Group maintains a system of internal controls to safeguard shareholders' investments and the Group's assets.
  - (iv) Establish an appropriate control environment.
  - (v) Obtain assurance from the Group Chief Executive Officer and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.
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## Other Matters

- (i) To report to Bursa Securities, if the Committee views that a matter resulting in a breach of the Listing Requirements reported by the Committee to the Board has not been satisfactorily resolved by the Board.
  - (ii) To highlight such matters as the Committee considers appropriate or as defined by the Board from time to time.
  - (iii) To announce to Bursa Securities, if there is any related party transactions which exceed the Existing Shareholders' Mandate and provide full reason and detailed explanations.
  - (iv) In addition to the internal audit function, the Committee shall:
    - a. Put in place an organization structure with formally defined lines of responsibility and delegation of authority, allowing internal checks and balances;
    - b. Provide continuous assurance to the top management and the Board;
    - c. To review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action to be taken. This would include any whistle blowing complaints and investigative reports relating to the senior management of the Group.
    - d. Quarterly update the financial results of the Group;
    - e. Confirm the management meetings, which involve Executive Directors and selected executive personnel, are regularly held in order to identify and address any problems encountered by the Group.
    - f. Review and verify on allocation of share options to ensure compliance with the criteria for allocation of share options (if any) pursuant to Paragraph 8.17(2) of the Listing Requirements of Bursa Securities.
    - g. To undertake such other functions as may be agreed to by the Committee and the Board.
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### **Reporting to the Board**

The Chairman of the Committee shall report to the Board following each meeting whereby the Secretary of the Committee shall circulate the minutes of meetings of the AC to all members of the Board. The report will cover on the matters as set out in the Committee's duties and responsibilities.

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### **Review**

The terms and reference shall be reviewed on a regular basis to ensure that it reflects current best practice in corporate governance and risk management. Board approval is required for any changes in the term of reference.

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The Terms of Reference of AC has been approved on 21 January 2020.