



AFFIN BANK BERHAD (25046-T)

**TERMS OF REFERENCE GROUP BOARD AUDIT COMMITTEE
(GBAC)**

A. COMPOSITION

Chairman

The Board shall appoint an Independent Non-Executive Director as Chairman of the Committee.

Members

1. The members of the GBAC shall be appointed by the Board of Directors and comprise of Directors who have the skills, knowledge and experience relevant to the responsibilities of the Committee.
2. GBAC shall consist of at least three (3) members of whom all must be Independent Non-Executive Directors. All the audit committee members must be non-executive directors with a majority of members being Independent Non-Executive Directors. No Alternate Director shall be appointed to the GBAC.
3. At least one (1) member of the Committee must be:
 - i. A member of the Malaysian Institute of Accountants ("MIA"); or
 - ii. If he/she is not a member of the MIA, must have at least three (3) years' working experience; and
 - He/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - He/she must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - iii. Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
4. GBAC members and the Chairman shall be appointed by the Board based on the recommendations of the Group Board Nomination and Remuneration Committee of Affin Bank Berhad;
5. The Board shall review the Committee and performance of its members at least once every three (3) years.
6. In the event of any vacancy resulting in the non-compliance with the required composition, the Board shall, within three (3) months of the vacancy, appoint such number of new members as may be required.
7. A former key audit partner of the firm which has been appointed as the external auditor of the bank¹, shall observe a cooling-off period of at least three (3) years from the date he/she ceases to be a partner of the firm before being appointed as a member of the GBAC.

¹ Applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc).

8. The GBAC shall have no executive powers; and
9. The composition of AFFIN Bank Group's GBAC is in compliance with paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia.

B. SECRETARIAT

Group Internal Audit.

C. QUORUM

The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being Independent Non-Executive Directors. If the Chairman is unable to attend any meeting, the Committee members present shall elect any other member who is an Independent Non-Executive Director to act as Chairman for the meeting. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman will have a second or casting vote.

D. MEETINGS

1. ATTENDANCE OF MEETINGS

- a. The notice of meeting should be served to the GBAC members at least seven (7) days before the meeting. The agendas and GBAC papers are to be circulated at least five (5) days before each meeting;
- b. The Group Chief Internal Auditor (GCIA) is invited to attend all meetings of the GBAC;
- c. The Committee may invite other members of the board of directors of Affin Bank Group, members of Management of Affin Bank Group, External Auditors or any employees as applicable to participate in the GBAC meetings as necessary to carry out the Committee's responsibilities; and
- d. All the original Minutes of GBAC meetings shall be in the custody of the Company Secretary and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting. The signed minutes shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to the GBAC members and all other members of the Board.
- e. Meetings may be convened in person or via teleconference, video conference or any other contemporaneous communication platforms allowing members to engage simultaneously and promptly, including voting during the said meeting. Members participation through these channels will be considered as physical presence at the meeting and shall be counted as quorum for the meeting.

2. FREQUENCY OF MEETINGS

- a. The GBAC shall meet at least six (6) times in a financial year with the objective of reviewing the internal audit reports and Affin Bank Group's financial reporting. The interval between meetings shall not exceed four (4) months. The GBAC complements this through regular meetings with the Senior Management and both the Internal and External Auditors to review the Affin Bank Group's overall state of governance and internal controls;

- b. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the GBAC meetings are convened before the Board meetings. The GBAC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary. Board representatives in the GBAC should update the respective entities' Board on matters tabled and discussed, including decisions made at the GBAC; and
- c. Besides the minimum of six (6) GBAC meetings in a year, additional meetings shall be scheduled whenever deemed necessary by the GBAC's Chairman or the majority of the Committee members.

E. ROLES AND RESPONSIBILITIES

1. OBJECTIVE

The Group Board Audit Committee (GBAC) is established as a Committee of the Board of Directors (Board) of Affin Bank Berhad. The primary objectives of GBAC are to:

- a. Establish the framework for and oversee the audit function of Affin Bank Berhad and its subsidiaries (Affin Bank Group);
- b. Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the Affin Bank Group;
- c. Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division (GIA); and
- d. Ensure that Internal and External Audit functions are properly conducted, and audit recommendations are implemented timely and effectively.

2. AUTHORITY

The GBAC is authorised by the Board to: -

- a. Investigate any activity or matter within its Terms of Reference;
- b. Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
- c. Have full and unrestricted access to any information pertaining to the Group;
- d. Maintain direct communication channels with the External Auditors, Internal Auditors and all employees within the Group;
- e. Be able to convene meetings with the External Auditor and GIA; excluding the attendance of the members of Management Committee at least two (2) times in a financial year; and
- f. Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

3. FUNCTIONS AND DUTIES

The functions and duties of GBAC shall include, but are not limited to the following:

- a. Reviewing the Quarterly Financial Results and Year-End Financial Statements of Affin Bank Group prior to the approval by the Board focusing on the followings:

- Changes in or implementation of major accounting policy;
 - Significant and unusual events or any going concern assumption;
 - Significant adjustments arising from the audit; and
 - Compliance with accounting standards, disclosure requirements and other legal requirements.
- b. Ensuring the accounts and financial statements are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts;
 - c. Reviewing any related party transactions that may arise within the Affin Bank Group and keep the Board of Directors informed of such transactions.
 - d. Periodically review any potential conflict-of-interest situations that may arise within the Affin Bank Group. This includes any transaction, procedure or course of conduct that raises questions regarding the Management's integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.
 - e. Monitoring compliance with the Board's Conflict of Interest Policy.
 - f. Undertaking or perform any other activities as deemed appropriate and to act upon any request from the Board to investigate and report on any issues of concern regarding the Management and operation of the Affin Bank Group;
 - g. Reviewing the findings of major investigation, routine audit findings, consider the major findings of internal investigations and Management response;
 - h. Obtaining external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary;
 - i. Recommending to the Board on the appointment of External Auditors and their audit fees;
 - j. Reviewing with the External Auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letter and Management response), the assistance given to the Management and any findings or action to be taken;
 - k. Meeting with the External Auditors without the presence of Management at least twice a year;
 - l. Affirming the engagement of the External Auditors for non-audit services, provided that the fee does not exceed 50% threshold of the total Group's audit fees. For engagements, resulting in an excess over 50% of the estimated audit fees, GBAC to review and recommend for the Board's approval;
 - m. Reviewing the adequacy and effectiveness of the Group's control Environment and existing policies, procedures and practices within the Group in order to regulate and streamline the same to ensure uniformity;
 - n. To provide oversight on the effectiveness of internal control mechanisms implemented by the Management, in establishing and maintaining high ethical standards for all employees of the Affin Bank Group.

- o. Overseeing Management's arrangements for the prevention and deterrence of fraud, ensuring that investigations are undertaken if fraud is detected and appropriate action is taken against known perpetrators of fraud.
- p. Oversight of the Internal Audit activity, performance and to review the adequacy of the scope, functions, competency and resources of the GIA and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and Management implementation of agreed actions. Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the GIA's recommendations and suggestions for improvements.
- q. Reviewing the findings of any examinations by regulatory authorities and the Management response and monitor implementation of corrective actions adopted by the Affin Bank Group.

F. OVERSIGHT RESPONSIBILITIES OF THE GROUP BOARD AUDIT COMMITTEE

The GBAC of Affin Bank Berhad (ABB) has group oversight responsibilities on the overall Affin Bank Group's internal control systems. In exercising its oversight responsibilities over the internal control matters of the Group's subsidiaries, the GBAC leverages the work of the Board Audit Committees (BAC) of the Groups' subsidiaries. The subsidiaries' BAC cannot absolve its responsibilities and remains fully accountable for any authority delegated to the GBAC which has an impact on the subsidiaries.

As and when deemed necessary, the GBAC can discuss and provide recommendations to the subsidiaries' BAC on matters requiring the oversight of GBAC. Recommendations by the GBAC should be sufficiently deliberated at the respective subsidiaries' BAC. The fiduciary duties remained at the subsidiaries' BAC to decide on GBAC's recommendations.

G. REVIEW OF THE TERMS OF REFERENCE

The terms of reference of the Group Board Audit Committee shall be reviewed annually or as and when needed and shall be subject to the approval of the Board.

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