

Board Audit Committee Terms of Reference

1.0 Background

The Board Audit Committee is governed by its own terms of reference. The latest Board Audit Committee's Terms of Reference was approved by the Board on 27 April 2021.

2.0 Purpose

The purpose of the Board Audit Committee is to provide a structured, systematic oversight of the organisation's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organisation's initiatives for:

- a) values and ethics;
- b) governance structure;
- c) risk management except for risk management activities related to investment decision-making;
- d) internal control framework;
- e) oversight of the internal audit activity, external auditors and other providers of assurance; and
- f) financial statements and public accountability reporting.

In broad terms, the Board Audit Committee reviews each of the items noted above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of management practices and potential improvements to those practices.

3.0 Authority

The Board Audit Committee Terms of Reference set out the authority of the Board Audit Committee to carry out the responsibilities established for it by the Board as articulated within the Terms of Reference.

In discharging its responsibilities, the Board Audit Committee will have unrestricted access to members of management, employees and relevant information it considers necessary to discharge its duties. The committee will also have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Board Audit Committee and/or Head of Internal Audit Department will follow a prescribed, board approved mechanism for resolution of the matter.

The Board Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The management and staff of the organisation should cooperate with Board Audit Committee requests.

The Board Audit Committee is empowered to:

- a) Appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the organisation;
- b) Resolve any disagreements between management and the external auditor regarding financial reporting and other matters; and
- c) Pre-approve all auditing and non-audit services performed by auditors.

4.0 Composition of the Board Audit Committee

The Board Audit Committee will consist at least five (5) members of which the majority are independent. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, information technology, law, governance, risk and control.

5.0 Quorum

The quorum for the Board Audit Committee will be three (3) members, comprising the Chairman and two (2) of its members, of which the majority are independent. In the absence of the Chairman, the meeting can be chaired by the Deputy Chairman and the Deputy Chairman may exercise all the powers of the Chairman during the meeting.

6.0 Operational Principles

6.1 Board Audit Committee Values

The Board Audit Committee will conduct itself in accordance with the code of ethics and values of the organisation. The Board Audit Committee expects that management and staff of the organisation will adhere to these requirements.

6.2 Work Plan

The Board Audit Committee Chairman will collaborate with the Head of Internal Audit Department and senior management to establish a work plan to ensure that the responsibilities of the Board Audit Committee are scheduled and will be carried out.

6.3 Meeting Agenda

The Board Audit Committee Chairman will establish agendas for audit committee meetings with the Head of Internal Audit Department after it has been discussed with senior management.

6.4 Information Requirements

The Board Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the audit committee at least five (5) working days prior to each audit committee meeting.

6.5 Executive Sessions

The Board Audit Committee will schedule a private session with the Head of Internal Audit Department, and hold if necessary, a private session with the Chief Executive Officer, the Chief Financial Officer, external assurance providers, and with any other officials that the Board Audit Committee may deem appropriate at each of its meetings.

7.0 Operational Procedures

7.1 Meetings

The Board Audit Committee will meet at least four (4) times annually or more frequently as the Board Audit Committee deems necessary. As far as practicable, the time frame between Board Audit Committee meetings should not exceed four (4) months. In addition, the Board Audit Committee shall meet with the external auditors at least once a year in the absence of the Management.

Minutes will be prepared in accordance with applicable laws, regulations, bylaws, policies, procedures, and/or other applicable requirements.

7.2 Duties and Responsibilities

The duties and responsibilities of the Board Audit Committee shall be:

7.2.1 Values and Ethics

To obtain reasonable assurance with respect to EPF's values and ethics practices, the Board Audit Committee will:

- a) Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all staff of the EPF;
- b) Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all staff of the EPF; and
- c) Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

7.2.2 **Organizational Governance**

To obtain reasonable assurance with respect to the organisation's governance process, the Board Audit Committee will review and provide advice on the governance process established and maintained within the organization and the procedures in place to ensure that they are operating as intended.

7.2.3 **Risk Management**

To provide an independent opinion and reasonable assurance on the adequacy and effectiveness of risk management except for risk management activities related to investment decision-making.

7.2.4 **Compliance**

The Board Audit Committee will:

- a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- b) Review the observation and conclusions of internal and external auditors and the findings of any regulatory agencies; and
- c) Review the process for communicating the code of conduct to the organisation's personnel and for monitoring compliance.

8.0 Oversight of the Internal Audit Activity and Other Assurance Providers

8.1 Internal Audit Activity

- a) To approve the Internal Audit Charter on an annual basis, defining the authority, accountability and role given by the Management to the internal auditors in order to carry out their work;
- b) To approve the annual audit plan prepared by the internal auditors;
- c) To evaluate the internal control system through reviews of the internal audit reports that highlight any weaknesses in accounting, organisational or operational controls and rectifications carried out by the Management;
- d) To evaluate the effectiveness and efficiency of the Internal Audit Department through periodic meetings;
- e) To evaluate the annual performance of the internal auditors based on the implementation of the annual audit plan and other assessments as decided by the Board Audit Committee from time to time;
- f) To consider the implementation of a quality assurance review of the internal audit function by qualified independent reviewers at least once every five years;

- g) To report the findings from quality assurance review to the Board; and
- h) To supervise and direct special projects or investigations deemed necessary or as instructed by the Board.

8.2 **External Auditors**

- a) To evaluate the internal control system through reviews of the external audit reports that highlight any weaknesses in accounting, organisational or operational controls and rectifications carried out by the Management; and
- b) To review and consider the need for a special management audit by external auditors, the findings of which are to be reported to the Board.

8.3 **Audit Reports**

- a) To review and analyse all audit findings and queries raised by internal and external auditors; and
- b) To determine the schedule of periodic reports from the Management, and internal and external auditors, taking into consideration the impact of significant changes, improvements on accounting treatments and reporting requirements as proposed by the accounting bodies and/or any other significant issues through an annual review.

8.4 **Financial Reports**

To evaluate and endorse the Quarterly and Annual Financial Reports to the Board, focusing particularly on:

- a) Changes in or implementation of new accounting policies and practices;
- b) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
- c) Compliance with the applicable approved accounting standards in Malaysia and other legal regulatory requirements.

8.5 **Other Responsibilities**

8.5.1 **Policies**

- a) To review the effectiveness and adequacy of EPF's accounting policies, financial management and procedures through discussions between the internal and external auditors together with the respective executives / Management; and
- b) To review and endorse to the Board the effectiveness and adequacy of any significant changes in EPF's Information Security Policies.

8.5.2 **Related Party Transactions**

To review, evaluate and report to the Board any related party transaction or conflict of interest which might arise in the EPF or its subsidiaries or joint venture companies where the EPF has control over business management, procedures and conduct which may jeopardise management's integrity.

8.5.3 **Other Matters**

- a) To evaluate the effectiveness and adequacy of the Fraud Control Management Plan; and

- b) To report to the Board annually, summarizing the committee's activities and recommendations. The report may be delivered during a regularly scheduled meeting of the board and should include:
 - A summary of the work performed by the Board Audit Committee to fully discharge its responsibilities during the preceding year;
 - A summary of management's progress in addressing the results of internal and external engagement reports;
 - Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended;
 - Provide information required, if any, by new or emerging corporate governance developments; and

- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.
- c) To carry out any other functions as requested by the Board from time to time.