



Amway (Malaysia) Holdings Berhad
Registration No: 199501011153 (340354-U)

**TERMS OF REFERENCE
OF THE AUDIT COMMITTEE**

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1 OBJECTIVES

The primary function of the Audit Committee (“AC”) formed by the Board of Directors (“Board”) of Amway (Malaysia) Holdings Berhad (“Amway” or “Company”) is to assist the Board in fulfilling its fiduciary duties as well as the following oversight objectives on the activities of the Company and its subsidiaries (collectively, “Group”):

- oversee the integrity of the Group’s financial reporting;
- evaluate the effectiveness of the Group’s internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group; and
- review and monitor the Group’s relationship with the external auditors and internal auditors.

2 COMPOSITION AND MEMBERSHIP

2.1 The AC members must elect a chairperson amongst themselves who is an Independent Non-Executive Director.

In this respect, the Board adopts the definition of “independent directors” under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

2.2 The AC shall comprise no fewer than three (3) members (none of whom shall be an Executive Director), with the majority being Independent Directors.

2.3 The Chairperson of the Board shall not be a member of the AC. No alternate Director of the Board shall be appointed as a member of the AC.

2.4 At least one (1) member of the AC:

- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and,
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

- 2.5 All members shall be financially literate and they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.6 No former partner of the external audit firm shall be appointed as a member of the AC before observing a cooling-off period of at least three (3) years. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.).
- 2.7 If the Chairperson or a member of the AC resigns, dies or for any reason ceases to be a member, resulting in the number of members to be reduced to below three (3), the Board shall take steps to fill in the vacancy within three (3) months of the event.

3 QUORUM AND MEETING PROCEDURES

- 3.1 Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances may dictate. The Chairperson may call for a meeting of the AC if a request is made by any AC member, the Managing Director or the internal or external auditors.
- 3.2 In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors.
- 3.3 In the absence of the Chairperson or if he/she is not present at any AC meeting within fifteen (15) minutes of the time appointed for holding the same, the AC members present shall choose one (1) of their numbers who shall be an Independent Non-Executive Director to be the Chairperson of the meeting.
- 3.4 An AC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables the AC members as a whole to participate for the entire duration of the meeting. The technology to be used for the purpose of this paragraph must enable each AC member taking part in the meeting to communicate simultaneously with each of the other AC members and may include telephone, video conferencing, or any other audio and/or visual device which permits instantaneous communication.
- 3.5 A virtual meeting shall be deemed to constitute an AC meeting provided the following conditions are met:
 - (a) all the AC members for the time being entitled to receive notice of the AC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and

- (b) an AC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairperson of the meeting of his/her intention to leave the meeting and an AC member shall be conclusively presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his/her leaving the meeting.
- 3.6 The main venue of the meeting shall be the place where the Chairperson is present or the Chairperson of the meeting is present, if the meeting is not chaired by the Chairperson.
- 3.7 The Company Secretary of the Company shall be the appointed Secretary (“Secretary”) of the AC. The Secretary, in consultation with the Chairperson, shall draw up an agenda, which shall be circulated together with the relevant supporting papers, at least five (5) business days, or shorter notice where it is unavoidable, prior to each meeting to the members of the AC.
- 3.8 Questions arising at any meeting of the AC which requires decision making must be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairperson has a second or casting vote. The Chairperson shall not have a second or casting vote when only two (2) members (one of whom is the Chairperson) form a quorum or when only two (2) members are competent to vote on the question at issue.
- 3.9 The AC may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.
- 3.10 The AC shall meet at least twice annually with the internal and external auditors without the presence of any executive Board members, Management or employees. In addition, Management, the internal and external auditors may request for a private session with the AC to discuss any matter of concern.
- 3.11 The Company shall cause minutes of all proceedings of the AC meeting to be entered in the books kept for that purpose. Minutes of each meeting signed by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next succeeding meeting shall be evidence of the proceedings to which it relates.
- 3.12 Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any of the AC members or Board members.
- 3.13 The AC may pass a resolution by way of a written resolution. A written resolution that is signed in accordance with the quorum that is required by an AC meeting shall be valid and effectual as if it were a resolution duly passed at an AC meeting duly convened and held. Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the AC members and may consist of several documents in like form, each signed by one (1) or more AC members.

4 AUTHORITY

- 4.1 The AC is authorised by the Board to investigate any activity within the Terms of Reference. It is also authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the AC.
- 4.2 The AC can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities and may invite persons with relevant expertise and knowledge to attend its meetings where deemed necessary.
- 4.3 The AC shall have full and unlimited access to any information pertaining to the Group. The AC shall have direct communication channels with the internal and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.
- 4.4 The AC shall have the resources that are required to perform its duties.
- 4.5 Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the AC shall promptly report such matter to Bursa Securities.

5 DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, the AC shall undertake the following duties and responsibilities:

5.1 Financial reporting and external audit related processes

- (a) review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
 - (i) adoption of new and/or revised accounting standards;
 - (ii) changes in major accounting policy;
 - (iii) significant financial matters including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iv) compliance with accounting standards and other legal requirements;

- (b) review whether the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance;
- (c) review with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan;
- (d) review with the external auditors, their audit report and management letter and Management's responses including the status of previous audit recommendations; and
- (e) review the assistance and co-operation given by Management and employees to the external auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

5.2 Internal controls and risk management

- (a) review the risk profile of the Group (including risk registers), the adequacy, integrity and effectiveness of Enterprise Risk Management Framework and the Risk Management Committee's plans to mitigate business risks as may be identified from time to time;
- (b) review the effectiveness of the internal controls and systems and the internal auditors' and/or external auditors' evaluation of the internal controls and systems to ensure that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that are identified; and
- (c) review the Statement on Risk Management and Internal Control which forms part of the Annual Report.

5.3 External auditors

- (a) establish policies and procedures to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of audited financial statements;
- (b) review the nomination, appointment or re-appointment and performance of external auditors, and their audit fees;
- (c) conduct an annual assessment on the performance of the external auditors in order to make a recommendation to the Board on their re-appointment or otherwise;
- (d) review and consider any letter of resignation from the external auditors or suggestions for their dismissal and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;

- (e) review the non-audit services provided by the external auditors and/or its affiliate firms to the Company for the financial year, including the nature of the non-audit services, fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided; and
- (f) review the adequacy of the audit scope, functions and resources of the external auditors and ensure that it has the necessary authority to carry out its work.

5.4 Internal auditors

- (a) ensure the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- (b) ensure the internal audit function is independent of the activities it audits and reports directly to the AC;
- (c) take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for outsourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit the reasons for resigning;
- (d) review whether the internal audit function is carried out in accordance with a recognised framework;
- (e) review the adequacy of the scope, competency and resources of the internal audit function (including the name and qualification of the person responsible for the internal audit function) and ensure that it has the necessary authority to carry out its work;
- (f) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function; and
- (g) conduct a performance evaluation of the internal audit function annually.

5.5 Related party transactions and conflict of interest

- (a) Review any related party transaction (including recurrent related party transactions) and conflict of interest situation that arose, persist or may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts.

In reviewing the conflict of interest, the AC should consider the following factors:

- (i) The nature of conflict of interest situations, and the impact on the Group;
 - (ii) Identification of the conflicted Covered Person; and
 - (iii) Controls in place/corrective actions to be taken – to ensure the conflicted Covered Person does not abuse his or her power to gain an unfair advantage.
- (b) Ensure there are established policies and procedures in place for the purposes of identifying, evaluating, approving, reporting and monitoring all conflict of interest situations. This is to ensure that:
- (i) There will be standard treatment of conflict of interest;
 - (ii) All conflict of interest situations are dealt with and addressed expeditiously; and
 - (iii) The role, responsibilities and accountability of relevant parties in dealing with and resolving conflict of interest are outlined clearly.

Note:

“Covered Persons” refers to Directors, Senior Management and employees of the Group.

5.6 Whistleblowing

Review the implementation and effectiveness of the Group’s Whistleblower Policy, by which employees, contractors, service providers, suppliers of the Group and members of the public may, in confidence, raise concerns about possible improprieties or misconduct on the part of the Group or its employees including, but not limited to, breaches of law or internal policies and procedures.

5.7 Anti-Bribery and Corruption

Review the Group’s systems and controls on prevention of bribery and corruption and receive reports on findings and recommendations for improvement from the internal auditors.

5.8 Other matters

- (a) direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- (b) review procedures in place to ensure that the Group is in compliance with the Companies Act 2016, Main Market Listing Requirements of Bursa Securities and other legislative and reporting requirements; and
- (c) conduct any other activities or investigation, as authorised by the Board.

6 REPORTING AND OPERATION OF THE AC

- 6.1 The Chairperson shall report to the Board on its proceedings after each AC meeting on all matters within the AC's duties and responsibilities.
- 6.2 The Chairperson shall engage on a continuous basis with Senior Management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.
- 6.3 The AC shall take into consideration the following policies in the discharge of its duties and responsibilities:-
 - (a) Policy on External Auditors;
 - (b) Internal Audit Charter;
 - (c) Whistleblower Policy;
 - (d) Code of Conduct and Ethics; and
 - (e) Anti-Bribery and Corruption Policy.
- 6.4 The AC shall consider and examine such other matters as may be directed by the Board or brought to its attention and make recommendations or report to the Board accordingly.
- 6.5 The AC shall issue an AC Report as part of the Annual Report of the Company, which shall include a summary of the work of the AC in the discharge of its functions and duties for that financial year under reporting and how it has met its responsibilities.
- 6.6 The AC shall also provide the relevant information to assist the Board in making the required disclosures in the Annual Report and Corporate Governance Report.
- 6.7 The AC shall conduct an annual assessment of its own performance. The Nominating Committee shall review the terms of office and assess the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with the Terms of Reference and report to the Board accordingly.
- 6.8 The AC shall review the Terms of Reference periodically to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

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