

# LOTUS KFM BERHAD [198401007083 (119598-P)]

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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### 1. COMPOSITION

- i. The Composition of Audit Committee of Lotus KFM Berhad (“the Company”) (“AC” or “Committee”) shall be appointed by the Board of Directors of the Company (“Board”) from among its members and shall comprise not fewer than three (3) members, whereby all members must be Non-Executive Directors and financially literate with a majority of them being Independent and Non-Executive Directors, and at least one (1) member of the Committee:-
  - a. must be a member of the Malaysian Institute of Accountants; or
  - b. 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 I of the 1st Schedule of the Accountants Act 1967; or
    - o he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - c. fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- ii. Alternate Director shall not be appointed as a member of the Committee.
- iii. The Committee shall elect a Chairman from among its members who shall be an Independent Non-Executive Director.
- iv. In the event, the elected Chairman is not able to attend a meeting, the remaining members present shall elect one of themselves as Chairman for the meeting. The elected Chairman shall be an Independent Non-Executive Director.
- v. The former partner of the external audit firm of the Company, if any, shall observe a cooling-off period of at least three (3) years before being eligible to be appointed as a member of the Committee.
- vi. In the event of any vacancy in an AC member resulting in non-compliance with paragraph 1(i) above, the Board shall fill the vacancy within three (3) months.
- vii. The terms 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.

### 2. MEETINGS

- i. **Frequency of meetings**
  - a. Meetings shall be held not less than four (4) times a year. However, additional meetings may be called at anytime depending on the scope of activities of the Committee. In the event issues requiring the Committee’s decision arise between meetings, such issues may be resolved through written resolutions of the Committee. Such written resolution in writing shall

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be valid and effectual if it is signed or approved by letter, facsimile or any electronic means by a majority member of the Committee pursuant to the Constitution of the Company.

- b. Other Board members, Senior Management, internal and external auditors may be invited to attend meetings.
- c. For the Committee's meetings (except in the case of an emergency), reasonable notice shall be given to all the members of the Committee.

### ii. **Quorum**

The minimum quorum for the meeting is two (2) members of the Committee, a majority of members present must be Independent and Non-Executive Directors.

### iii. **Secretary**

The Company Secretary shall be the secretary of the Committee. The Secretary shall circulate the notice and minutes of the Committee to all members of the Committee.

### iv. **Minutes of the Committee Meeting**

Every meeting of the Committee must be minuted either by the Company Secretary or any other person approved by the Committee and such minutes must be confirmed by the Committee at the next succeeding Committee meeting.

The Minutes of each meeting signed by the Chairman of that meeting or by the Chairman of the next succeeding meeting shall be evidence of the proceedings that the meeting was duly convened and held.

## 3. **CIRCULAR RESOLUTION**

A resolution in writing signed by a majority of the Committee members, for the time being, shall be as valid and effectual as if is signed or approved by letter, facsimile or any electronic means by the Committee members. Any such resolution may consist of several documents in like form (prepared and circulated by facsimile or electronic mail or other communication modes/equipment), each signed by one (1) or more Committee members. An approval by letter or other written means of a proposed resolution in writing (which has been prepared and circulated as aforesaid) signed by a Committee member and sent by him/her by facsimile or electric mail or other communication modes/equipment shall be deemed to be a document signed by him/her.

## 4. **FUNCTIONS**

The functions of the Committee are as follows: -

### **External Auditors**

- i. To consider any matters concerning the appointment and re-appointment, the audit and non-audit fees and any questions of resignation or dismissal of external auditors; and further ensure the suitability, objectivity and independence of external auditors.
- ii. To review with the external auditors:

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- a. their audit plan, scope and nature of the audit of the Company and its subsidiaries (“Group”);
  - b. their evaluation and findings of the system of internal controls;
  - c. their audit reports;
  - d. the management letter and management’s response with regard to problems and reservations arising from their audits; and
  - e. any other matters that the external auditors may wish to discuss (in the absence of management where necessary).
- iii. To review the assistance given by the management and employees of the Group to the external auditors.
  - iv. To review any letter of resignation from the external auditors of the Company.
  - v. To review whether there is a reason (supported by grounds) to believe that the Company’s external auditors are not suitable for re-appointment.
  - vi. To recommend the nomination of a person or persons as external auditors.

### **Internal Audit Function**

- i. To review and assess the adequacy of the scope, competency and resources of the internal audit functions of which the internal auditors should reports directly to the Committee. The internal auditors must be an independent, objective assurance and must have the relevant qualifications and be responsible for providing assurance to the Committee that internal control is operating effectively.
- ii. To review the internal audit plan, processes, the results of the internal audit assessments, investigations undertaken and whether or not appropriate action is taken before the recommendations.
- iii. To review the adequacy and effectiveness of the Group’s internal control systems, Risk Management framework, anti-corruption and whistle-blowing as evaluated, identified and reported by the Management, internal or external auditors as well as to review the appropriate and timely corrective actions undertaken to ratify the same.

### **Financial Reporting**

- i. To review the quarterly and year-end financial statements of the Group, before the approval by the Board of Directors, focusing particularly on: -
  - a. any changes in or implementation of major accounting policy changes;
  - b. significant matters highlighted including financial reporting issues, a significant judgement made by management, significant unusual events or transactions, and how these matters are addressed; and
  - c. compliance with accounting standards and other legal requirements.

### **Sustainability**

To perform the following in relation to sustainability:

- i. oversee and review the development and implementation of the Company's sustainability vision, strategy, framework, initiatives, policies and practices, and explore ways to incorporate them into the Company's overall operations and business goals;
- ii. regularly review the sustainability framework of the Company which is grounded in the Environmental, Social and Governance (ESG) pillars, to ensure its alignment with evolving local and global sustainability trends and developments, while also confirming its feasibility within the Company's existing resources and capabilities; and
- iii. to assist the Board with regard to the disclosures in the Sustainability Statement to be included in the Company's Annual Report.

### **Related Party Transactions and Conflict of Interest Situations**

- i. To review any related party transaction 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 questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.
- ii. To review and assess all disclosure of conflicts of interest by the Directors, key Senior Management and legal representative(s) appointed by the Group, to evaluate their nature, significance and potential impact to the Group. During the process of evaluating and handling the conflict of interest, the Committee has the authority to seek independent advice or opinions to aid in their evaluation.
- iii. To review the adequacy of the arrangements within the Group when dealing with any conflict of interest.
- iv. To review and recommend appropriate measures, such as reassignment, termination or other actions if the disclosed conflict poses a significant risk to the Group.

### **Compliance and Other Matters**

- i. To review, assess and monitor the performance, suitability, objectivity and independence of the internal and external auditors.
- iii. To carry out such other functions or assignments as may be delegated by the Board from time to time.

## **5. RIGHTS OF THE COMMITTEE**

The Committee is authorised by the Board to investigate any activity within its term of reference at the cost of the Company. The Committee shall have the following rights: -

- i. To secure full and unrestricted access to any information pertaining to the Group;
- ii. To communicate directly with the external and internal auditors and all employees of the Group;

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- iii. To seek and obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as considers necessary; and
- iv. To convene meetings with the external and internal auditors or both excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### **6. COMMUNICATION TO THE BOARD**

- i. The minutes of each Committee meeting shall be tabled to the Board for notation.
- ii. The Committee may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.
- iii. 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Committee must promptly report such matter to Bursa Securities.

### **7. GENERAL MEETINGS**

The Chairman of the Committee to attend the general meetings to answer to questions relating to the Committee's activities.

This Terms of Reference (Version No. 2) was adopted by the Board of the Company on 30 November 2023.