

IOI CORPORATION BERHAD

(Company No. 9027-W)

**AUDIT AND RISK MANAGEMENT
COMMITTEE**

TERMS OF REFERENCE

	Page
TERMS OF REFERENCE	
1. Membership	1
2. Objectives	2
3. Authority	2
4. Duties and Responsibilities	3
5. Conduct of Meetings	5
6. Secretary to the Committee and Minutes	5

TERMS OF REFERENCE

1 Membership

The Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of no fewer than three (3) members. All the Committee members must be Non-Executive Directors with a majority of them being Independent Non-Executive Directors.

All the Committee members should be financially literate with at least one (1) Director who is a member of the Malaysian Institute of Accountants or alternatively a person who must have the following qualifications is also acceptable:

- (a) either one (1) of the following qualifications and at least three (3) years' post-qualification experience in accounting or finance:
 - (i) a degree/masters/doctorate in accounting or finance; or
 - (ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
- (b) at least seven (7) years' experience being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The Committee shall elect a Chairman from among its members who is an Independent Non-Executive Director.

In the event that a member or the Chairman of the Committee resigns, dies or for any other reason ceases to be a member or Chairman with the result that the number of members is reduced below three (3) or there is no Chairman in the Committee, the Board of Directors shall, within three (3) months of that event, appoint such number of new members or Chairman.

The term of office and performance of the Committee and each of its members shall be reviewed by the Nominating and Remuneration Committee annually.

2 Objectives

The primary objectives of the Committee are to:

- i Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiaries' accounting and management controls, financial reporting, risk management and business ethics policies.
- ii Provide greater emphasis on the audit function by serving as the focal point for communication between Non-Committee Directors, the external auditors, internal auditors and the management and providing a forum for discussion that is independent of the management. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.
- iii Undertake such additional duties as may be appropriate and necessary to assist the Board.

3 Authority

The Committee is authorised by the Board to:

- i Investigate any matter within its terms of reference and have full and unrestricted access to any information pertaining to the Company and the Group.
- ii Have direct communication channels with both the external auditors and internal auditors.
- iii Full access to any employee or member of the management.
- iv Be able to convene meetings with the external auditors, the internal auditors or both, without the attendance of other Directors and employees, whenever deemed necessary.

The Committee is also authorised by the Board to have the necessary resources and to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

4 Duties and Responsibilities

In fulfilling its primary objectives, the Committee will need to undertake the following duties and responsibilities summarised below:

- i To review with management on a periodic basis, the Company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.
- ii To consider the appointment of the external auditors, the terms of reference of their appointment, the audit fee and any questions of resignation or dismissal.
- iii To review with the external auditors their audit plan, scope and nature of the audit for the Company and the Group.
- iv To review the external auditors' management letter and management's response.
- v To review with the external auditors with regard to problems and reservations arising from their interim and final audits.
- vi To review with the external auditors the audit report and their evaluation of the system of internal controls.
- vii To review the assistance given by employees of the Company or Group to the external auditors.
- viii To do the following, in relation to the internal audit function:
 - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
 - 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.
 - review any appraisal or assessment of the performance of members of the internal audit function.

- approve any appointment or termination of senior staff members of the internal audit function.
 - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- ix To review the Company and the Group's quarterly financial statements and annual financial statements before submission to the Board.

The review shall focus on:

- any changes in or implementation of major accounting policies and practices.
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed.
 - significant adjustments and issues arising from the audit.
 - the going concern assumption.
 - compliance with the applicable approved accounting standards and other legal requirements.
- x To review any related party transaction and conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- xi Assessing the risks and control environment; to determine whether management has implemented policies ensuring the Company's risks are identified and evaluated and those internal controls in place are adequate and effective to address the risks.
- xii To undertake such other responsibilities as may be agreed to by the Committee and the Board.

- xiii To consider the report, major findings and management's response of any internal investigations carried out by the internal auditors.
- xiv To verify the allocation of options pursuant to Executive Share Option Scheme ("ESOS") in compliance with the criteria of the ESOS at the end of each financial year.

5 Conduct of Meetings

Number of Meetings

The Committee shall meet at least five (5) times a year. The Chairman shall also convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

Attendance of Meetings

The head of finance and head of internal audit divisions and representatives of the external auditors shall normally be invited to attend meetings of the Committee. However, the Committee shall meet with the external auditors without executive board members present at least twice a year. The Committee may also invite other Directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

Quorum

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2).

6 Secretary to the Committee and Minutes

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Board.