

CAPITAL A BERHAD
(formerly known as AirAsia Group Berhad)
(Company No. 201701030323(1244493-V))
("Capital A" or "the Company")

Audit Committee

Terms of Reference

Terms of Reference

Item	Name of Committee	:	Audit Committee of Capital A Berhad (“ Committee ”)
1	Applicable laws / Guidelines	:	<p>Including but not limited to:</p> <ul style="list-style-type: none"> (a) the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) including but not limited to the Capital Markets and Services Act 2007 (“CMSA”); (b) the Companies Act 2016 (“CA”); (c) the Malaysian Code on Corporate Governance 2017 issued by the Securities Commission (“MCCG”); (d) Accountants Act 1967 (“AA”); and (e) where applicable, the provisions of the Constitution of the Company.
2	Objectives/Principles	:	<p>The Board’s responsibilities which have been delegated to the Committee should be clearly conveyed and explicitly defined. Both the MCCG and Paragraphs 15.11 and 15.12 of the MMLR set out the need for written terms of reference and minimum functions of the Committee.</p> <p>The Terms of Reference will not only help the Committee members focus on their roles and responsibilities but the disclosure of such will also enable shareholders to be apprised of the roles and responsibilities of the Committee.</p>
3	Roles and Responsibilities	:	<p>The primary roles and responsibilities of the Committee with regards to the Capital A Group’s Internal Audit department, External Auditors, Financial Reporting, Related Party Transactions, Annual Reporting and Investigation are as follows:</p> <ul style="list-style-type: none"> (a) Internal Audit <ul style="list-style-type: none"> i. mandate the Internal Audit department <ul style="list-style-type: none"> • to report directly to the Committee of Capital A as the internal audit function of the Capital A Group and other affiliates; • to provide audit services via respective service level agreements to the other affiliates of Capital A and their respective Audit Committees. ii. review the adequacy of the scope, functions, budget, competency and resources of the Internal Audit department, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;

		<ul style="list-style-type: none"> iii. review Internal Audit Reports and ensure that appropriate and prompt remedial action is taken by the Management on lapses in controls or procedures that are identified by Internal Audit department; iv. review the Internal Audit Reports relating to the Capital A Group's affiliates and deliberate the key issues presented by other affiliates' Audit Committees. v. review the appraisal or assessment of the performance of the Internal Audit department, including considering feedback and performance evaluation by other affiliates' Audit Committees supported by the Internal Audit Department; vi. approve the appointment or termination of the Group Head – Internal Audit and senior staff of Internal Audit department; vii. Recommend to management or the governing body the appropriate compensation of the Group Head - Internal Audit. viii. take cognisance of resignations of Internal Audit department's staff and the reasons for resigning; ix. review the results of ad-hoc investigations performed by the Internal Audit department and the actions taken relating to those investigations; x. review the results of internal assessment performed on the internal audit function; xi. review the results of the external assessment performed on the internal audit function; xii. review the adequacy of the Internal Audit Charter; xiii. approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group; xiv. monitor that all recommended actions by the Group Internal Audit Department ("GIAD") are implemented in a timely manner; and xv. undertake the performance appraisal of the Group Head, GIAD. <p>(b) External Auditor</p> <ul style="list-style-type: none"> i. consider the appointment of the External Auditors, Audit fees, resignation or dismissal of the External Auditors;
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		<ul style="list-style-type: none"> ii. submit a copy of written representation or submission of External Auditors' resignation to Bursa Malaysia; iii. monitor the effectiveness of the External Auditors' performance and their independence and objectivity; iv. discuss with the External Auditors before the Audit commences, the Audit plan which includes the nature and Scope of the Audit, and ensure co-ordination where more than one (1) Audit firm is involved; v. review major findings raised by the External Auditors and Management's responses, and monitor that all recommendations arising from the audit are properly implemented including the status of the previous Audit recommendations; vi. discuss problems and reservations arising from the interim and final Audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary); vii. provide a line of communication between the Board and the External Auditors; viii. review the extent of assistance and co-operation extended by the Group's employees to the External Auditors and ensure that all information required by the External Auditors were made available to them; ix. review and monitor the provision of non-audit services by the External Auditors and to ensure that they comply with the external auditor independence policy; x. The Committee is responsible for requiring for Group's External Auditors to submit on a periodic basis, a formal written statement delineating all relationships between the External Auditors and the Group, consistent with International Standard on Auditing 260 modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement; xi. ensure that there is coordination between both Internal and External Auditors; and xii. receive continuous updates from the External Auditors on changes in the Malaysian Financial Reporting Standards as well as the International Financial Reporting Standards to ensure that the Group is ready for implementation and to understand the implication, if any, on the Group's Financial Statements.
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		<p>(c) Financial Reports and Bursa Malaysia Announcements</p> <ol style="list-style-type: none"> i. To review and recommend the quarterly and annual management accounts of the Group and Company for approval of the Board. ii. To review the quarterly and year-end financial statements of the Group and Company, and reports to Bursa Malaysia focusing particularly on: - <ul style="list-style-type: none"> ● any change in Accounting Policies and Practices, and the implementation of such changes; ● significant and unusual events; ● significant adjustments arising from the Audit; ● litigation that could affect the results materially; ● the going concern assumption; ● compliance with Accounting standards, other legal requirements and regulatory requirements; ● where necessary, make appropriate recommendations to the Board for approval; and ● review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) comply with the disclosure requirements as set out in the MMLR. <p>(d) Related Party Transactions</p> <ol style="list-style-type: none"> i. review any related party transaction and conflict of interest situations and where appropriate, make recommendations to the Board for approval that such transactions are at arm's length and are in the best interest of the Group or Company; and ii. review the process used to procure the shareholders' mandate for recurrent related party transactions. <p>(e) Annual Report</p> <ol style="list-style-type: none"> i. report the Audit Committee's activities for the financial year; ii. prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Company's annual report. This draft report must disclose amongst others: <ol style="list-style-type: none"> A. the Committee's composition, including the name, designation (indicating the chairman) and
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		<p>directorship of the members (indicating whether the directors are independent or otherwise);</p> <p>B. the Committee's Terms of Reference;</p> <p>C. the number of Committee meetings held during the financial year, details of attendance of each Committee member and the details of relevant training attended by each Committee member;</p> <p>D. a summary of Committee's activities in discharging its functions and duties for the financial year and how it has met its responsibilities; and</p> <p>E. a summary of the activities of the internal audit function or activity;</p> <p>iii. review the Statement on Risk Management and Internal Control and the Statement on Corporate Governance prior to their inclusion in the Company's Annual Report; and</p> <p>iv. prepare for the Board's consideration and approval, the disclosure on Internal Audit functions in the Annual Report which shall include:</p> <p>A. whether the Internal Audit department personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;</p> <p>B. the number of resources in the Internal Audit department;</p> <p>C. name and qualification of the person responsible for internal audit; and</p> <p>D. whether the Internal Audit function is carried out in accordance with the Internal Audit Charter.</p> <p>(f) Investigations</p> <p>i. consider major findings of internal investigations and Management's response; and</p> <p>ii. review the Company's procedures for detecting fraud and whistle blowing.</p> <p>(g) Internal Control</p> <p>i. evaluate the overall adequacy and effectiveness of the system of internal controls including information technology controls, the Group's financial, audit and accounting organisations and personnel and the Group's policies and compliance procedures with respect to</p>
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			<p>business practices, through a review of the results of work performed by Internal Audit department and External Auditors and discussions with key Senior Management; and</p> <p>ii. review the employee code of business practice, vendor code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.</p> <p>(h) Annual Review of the Terms of Reference of the Committee</p> <p>Review and reassess the adequacy of the Terms of Reference of the Committee annually, and where necessary obtain the assistance of Management, the Group's External Auditors and external legal counsel, and recommend proposed changes to the Board for approval.</p> <p>(i) Reporting of Breaches to Bursa Malaysia</p> <p>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 MMLR, the Committee shall promptly report such matter to Bursa Malaysia.</p> <p>(j) Other Matters</p> <p>Consider any other matters as directed by the Board.</p>
4	Authorities	:	<p>The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:</p> <p>(a) have authority to investigate any matter within this Terms of Reference;</p> <p>(b) have the resources which are required to perform its duties;</p> <p>(c) have full and unrestricted access to any information pertaining to the Company;</p> <p>(d) have direct communication channels with the External Auditors and the Internal Audit Department;</p> <p>(e) be able to obtain independent professional or other advice; and</p> <p>(f) be able to convene meetings with the External Auditors, Internal Audit Department or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.</p>

5	Members	<p>:</p> <p>Members of the Committee shall be appointed by the Board and shall comprise at least three (3) members, all of whom shall be non-executive directors and a majority of whom shall be independent directors. No alternate director shall be appointed as a member of the Committee.</p> <p>All members of the Committee shall be financially literate and at least one (1) member shall:</p> <ul style="list-style-type: none"> (a) be a member of the Malaysian Institute of Accountants; (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and: - <ul style="list-style-type: none"> i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or ii. he must be a member of one (1) of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or (c) fulfill such other requirements as prescribed or approved by Bursa Malaysia. <p>Prior to the appointment of a former key audit partner (as defined in Note 5 to Practice 8.2 of the MCCG) as a member of the Committee, the Board shall observe a cooling-off period of at least three (3) years.</p> <p>Each appointed Committee member shall hold office until the earlier of: (i) such time as the Board determines to terminate his/her appointment; or (ii) the Committee member ceasing to be a member of the Board.</p> <p>If a member of the Committee resigns, dies, is incapacitated or for any reason ceases to be a member which results in the non-compliance of paragraphs 15.09(1) and 15.10 of the MMLR, the Board shall, within three (3) months, fill the said vacancy.</p> <p>The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually.</p> <p>The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so. At least twice a year, the Committee shall meet with the External Auditors without the presence of Management.</p> <p>The Chief Executive Officer, Deputy Group Chief Executive Officers - President (Airlines), President (RedBeat Ventures), Group Chief Financial Officer, Deputy Group Chief Financial Officer, Group Chief Operating Officer, Chief Financial Officer, Group Head of Internal Audit, Group Head of Legal of the Company and Chief Executive Officer of AirAsia Berhad are required to attend the Committee meetings to assist in the deliberations and resolution of matters raised.</p>
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			<p>The Committee may request other Board members and any other officer or employee to attend a meeting of the Committee to assist in the deliberation and resolution of matters raised.</p> <p>For the avoidance of conflict of interest, a member of the Committee shall abstain from participating in discussions and decisions on any matters involving him/her.</p>
6	Chairman	:	<p>The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director and shall not be the Chairman of the Board. In the absence of the Chairman and/or a deputy appointed by the Board in any meeting, the remaining members present shall elect one (1) of themselves to chair the meeting.</p>
7	Quorum	:	<p>The quorum for meetings shall be at least two (2) members, of whom the majority present shall be an independent director. A duly convened meeting of a Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.</p>
8	Frequency and notice of meetings	:	<p>The Committee shall meet at least four (4) times a year and at such other times as the Chairman of the Committee considers necessary or appropriate.</p> <p>Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee.</p> <p>Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) calendar days before the date of the meeting. Reasonable time should be given for the Committee members and to other attendees as appropriate, to consider all relevant papers and materials prior to the Committee meeting.</p>
9	Voting, Proceedings and Minutes of Meeting	:	<p>Matters arising at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In the event of equality of votes, the Chairman of the Committee shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman of the Committee will not have the second or casting vote.</p> <p>The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, and in accordance with applicable law. The minutes of the Committee, when approved by the Committee, should be circulated to the Board.</p> <p>The Committee may approve administrative/non-material matters by circular resolution.</p>

10	Reporting structure	:	<p>In addition to the availability of detailed minutes of the Committee meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters.</p> <p>The Committee shall not be delegated with decision making powers but shall report its recommendations to the Board for decision.</p> <p>The Committee shall compile a report to shareholders on its own activities to be included in Capital A's Annual Report.</p> <p>The Committee Chairman shall respond to any questions relating to the Committee's activities at the Annual General Meeting of Capital A's shareholders, where required.</p>
11	Secretary	:	<p>The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.</p> <p>The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee, including the names of those present and in attendance. Meeting minutes shall be approved by the Committee at its next meeting.</p> <p>The minutes of the Committee, when approved by the Committee and signed by the Chairman of the Committee, should be circulated to the Board.</p>
12	Review	:	<p>The Terms of Reference of the Committee has been approved by the Board on 30 May 2023.</p> <p>The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually.</p> <p>The Committee shall recommend any changes to the Board, as it considers necessary and in compliance with any regulations.</p> <p>The Terms of Reference shall be reviewed annually, or as and when there are relevant changes to legal and regulatory requirements.</p>