

**DUTCH LADY MILK INDUSTRIES BERHAD
(5063-V)**

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD

1. The Audit Committee shall comprise at least three (3) members. All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.
2. At least one (1) member of the Audit Committee must be a member of the Malaysians Institute of Accountants, **or** have at least 3 years' working experience and be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
3. No alternate Director can be appointed as a member of the Audit Committee.
4. The Audit Committee will elect an Independent Director from amongst them as its Chairman.
5. The functions of the Audit Committee are:-

In relation to External Auditors

- a) To consider the appointment of the External Auditors and fix their audit fee, and any question of their resignation or dismissal and the reasons thereof;
- b) To run the audit tender process independent of management including establishing objective criteria when assessing appointment of external auditors, to ensure audit quality may not be compromised or that fees are not given undue weight;
- c) To discuss with the External Auditors their audit plan, the nature and scope of audit, evaluation of the Company's systems of internal controls and their audit report on the annual financial statements, including Key Audit Matters;
- d) Ensure External Auditors have sufficient understanding of business / operations / risk areas, senior audit team members are sufficiently involved throughout the audit process and the team has the capacity and ability to work in different geographical regions;
- e) To assess External Audit firm's measures to uphold audit quality and manage risks including adopting indicators of audit quality;
- f) To discuss issues and reservations arising from the interim and final audits with the External Auditors, and any other matters the External Auditors or other consultants may wish to discuss, in the absence of Management, where necessary and in any case at least twice a year;
- g) To review the External Auditors' Management letter and Management's response thereon and ensure management provides information and records in a timely manner;
- h) Obtain assurance from the External Auditors that they are and have been independent throughout the conduct of the audit engagement in accordance with

the terms of all relevant professional and regulatory requirements, and that following such annual assessment review and the assurance obtained, the Audit Committee to remain confident of the External Auditor's independence and suitability.

- i) To evaluate the performance of External Auditors including reviewing the independence, suitability, objectivity and cost effectiveness, taking into account factors including the competency, adequacy of experience and resources of the firm and professional staff assigned to perform the audit;
- j) Ensure that advance approval by the Board of Directors is required for non-audit services provided by the External Auditor, on recommendation of the Audit Committee;
- k) Review all non-audit services performed by the External Auditors to reinforce the independence and objectivity of the External Auditors;

In relation to the financial statements

- l) To review the quarterly and annual financial statements of the Company before submission to the Board of Directors, focussing particularly on:-
 - (i) Public announcement of the results and dividend payment;
 - (ii) Any changes in accounting policies and practices;
 - (iii) The going concern assumption;
 - (iv) Compliance with approved accounting standards;
 - (v) Compliance with Bursa Securities and legal requirements; and
 - (vi) Significant adjustments arising from the audit.
- m) Review the Company's dividend proposals including considering the quantum, timing and cash flow of dividend payments, and recommending the same to the Board for approval;
- n) Review all related party transactions, including any conflict of interest situations arising;
- o) Review the Company's annual report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 2016 and Bursa Securities Main Market Listing Requirements, the applicable approved accounting standards as per MASB Standards and any other laws or regulations which might apply.

In relation to Internal Audit

- p) To do the following, in relation to the Internal Audit Department:
 - (i) Review the adequacy of the scope, functions, competency and resources of the Internal Audit Department, and that it has the necessary authority

and resources to carry out its work, including training programs for the staff;

- (ii) Consider whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- (iii) Review the internal audit plan for the year and findings of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department by Management;
- q) Ensure the Company's Internal Control Framework is maintained, including periodically reviewing controls, organising self-assessments and ensured effectiveness of the system;
- r) Ensure the Company adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors;
- s) Review and appraise the performance of members of the Internal Audit Department on an annual basis;
- t) Approve any appointment and termination of senior staff members of the Internal Audit Department; and
- u) Takes cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

In relation to Enterprise Risk Management

- v) To review the risk management framework and controls on a quarterly basis including Enterprise Risk Assessment updates, mitigating controls and action plans to mitigate identified business risks which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary;

Other Scope of Work

- w) To consider and review the appropriateness of any related party transaction and conflict of interest situations that may arise within the Company including ensuring compliance with applicable laws and regulations;
- x) To consider major findings of any internal investigations and Management's response thereon;
- y) To review the draft circulars with respect to obtaining shareholders' mandate on any Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors; and
- z) To consider any other topics, as defined by the Board.

6. The Audit Committee meets on a quarterly basis to carry out its functions.
7. The MD, Finance Director, Internal Audit Manager, and other members of the Management Team may attend the meetings at the invitation of the Audit Committee.
8. The Nominating & Remuneration Committee will review the performance of the Audit Committee annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.
9. The Audit Committee will observe a minimum two (2) year cooling-off period before any former key audit partner can be appointed as a member of the Audit Committee.

Dated: 21 November 2019