



RHB BANK BERHAD
TERMS OF REFERENCE OF
BOARD AUDIT COMMITTEE (“BAC”)

OBJECTIVE

1. Provide independent oversight of RHB Banking Group (“the Group”)’s financial reporting and internal control system, and ensuring checks and balances for entities within the Group.
2. Review the quality of the audits conducted by internal and external auditors.
3. Provide a line of communication between Board and external auditors.
4. Reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process.
5. Provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is, among others, independent of the Management.
6. Enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

AUTHORITY

The BAC shall, within its terms of reference:

1. The Chairman of the BAC should engage on a continuous basis with senior management, such as the Managing Director / Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.
2. The BAC is authorised by the respective Boards to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the BAC.
3. The BAC shall have direct communication channels with the external and internal auditors.
4. The BAC is authorised by the respective Boards to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.
5. The BAC is authorised by the respective Boards to provide a written confirmation to Bank Negara Malaysia (“BNM”) that the banking entities comply with BNM’s requirements on financial reporting.

6. Where the BAC is of the view that a matter reported by it to the Board of RHB Bank Berhad has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the BAC shall promptly report such matter to Bursa Securities.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the BAC are as follows:

1. The BAC is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.
2. Internal Audit
 - To ensure that the internal audit department is distinct and has the appropriate status within the overall organizational structure for the internal auditors to effectively accomplish their audit objectives.
 - To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.
 - To review the adequacy of the scope, functions, competency and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.
 - To review and approve the internal audit plan and to review the results of the internal audit programme or investigation undertaken and whether appropriate action is taken by Management on the recommendations of the internal auditors.
 - To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgment by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the Managing Director/ Chief Executive Officer or any executive directors.
 - To ensure that all findings and recommendations are resolved effectively and in a timely manner.
 - To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.
 - To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.

- To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.

3. External Audit

- To review with the external auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
- To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of Management, where necessary.
- To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as removal of the auditors.
- To discuss and review with the external auditors any proposal from them to resign as auditors.
- To review the non-audit services rendered by the external auditors together with the related fees for recommendation to the respective Boards for approval in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.
- To review the co-ordination of audit approach where more than one audit firm of external auditors is involved.

4. Financial Reporting

- To review the quarterly results and year-end financial statements of the respective entities for recommendation to the respective Boards for approval, focusing particularly on:-
 - (i) Changes in or implementation of major accounting policy changes;
 - (ii) Significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) Compliance with accounting standards and other legal requirements.

5. Related Party Transactions

- To review any related party transaction and conflict of interests situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

6. Other Matters

- To ensure independent review of risk management and capital management processes relating to the Internal Capital Adequacy Assessment Process (ICAAP) for their integrity, objectivity and consistent application, is conducted.
- To review the Group's Islamic-based business and operations comply with the Shariah Governance Framework for Islamic Financial Institutions.
- To review the following pertaining to RHB Insurance Berhad:-
 - (i) The Chairman's statement, interim financial reports and preliminary announcements;
 - (ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers; and
 - (iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.
- To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
- To review the minutes of meetings of other board audit committees within the Group to the extent permitted by the relevant regulatory authorities and be satisfied that all matters arising therefrom are being appropriately addressed by these other board audit committees.
- To perform any other functions as authorised by the respective Boards.

REPORTING

The BAC reporting line is to the respective Boards of entities that adopt the BAC.

COMPOSITION OF BAC

1. The membership of the BAC, shall be approved by the Board of RHB Bank Berhad based on the recommendation made by the Board Nominating & Remuneration Committee.
2. The BAC shall comprise at least three (3) members and there should be a fair representation on the BAC, from each entity within the Group. All members of the BAC should be non-executive directors of RHB Bank Berhad with majority of whom are independent.
3. The members of the BAC shall elect a Chairman among themselves who is an independent non-executive director.

4. No BAC member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the BAC. In addition, members of the BAC shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the BAC.
6. Collectively, the BAC shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
7. All members of the BAC shall be financially literate and at least one member shall be a member of the Malaysian Institute of Accountants or have at least 3 years' working experience and a member of an accounting association.
8. The term of office and performance of the BAC and each of its members shall be reviewed by the Board Nominating & Remuneration Committee annually.
9. If a member of the BAC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of RHB Bank Berhad shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

FREQUENCY OF MEETINGS

1. The BAC shall meet at least once a month or when necessary.
2. Quorum: Two-thirds of the members (majority of the members present shall be independent non-executive directors).
3. Permanent Invitees: Group Chief Financial Officer (Chairman, Management Audit Committee) and the Group Chief Internal Auditor. Other invitees:
 - (i) The BAC should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.
 - (ii) The BAC may invite the external auditors, the Managing Director / Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any other directors or members of the Management and employees of the Group to be in attendance during meetings to assist in its deliberations.
 - (iii) At least twice a year, the BAC shall meet with the external auditors without the presence of the Management or any executive Board members and upon the request of the external auditors, the Chairman of the BAC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.

SECRETARIAT

1. Company Secretary or representative from Group Secretariat.



2. Minutes of each meeting shall be kept and distributed to all members of the BAC and shall be tabled to the Board.
3. Details of the activities of the BAC, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.

DISCLOSURE

The activities of the BAC should be disclosed in the annual report of RHB Bank Berhad and the relevant entities as follows:

1. Membership of the BAC.
2. Number of the BAC meetings held as well as attendance of meetings by BAC members.
3. A summary of the work of the BAC in the discharge of its functions and duties for the financial year and how it has met its responsibilities.
4. A summary of the work of the internal audit function.