

PUBLIC BANK BERHAD
COMPOSITION AND TERMS OF REFERENCE
OF THE AUDIT COMMITTEE

Composition

- a. The Audit Committee (hereafter referred to as ‘Committee’) shall be appointed by the Board of Directors and shall consist of not less than three members, all of whom shall be independent non-executive directors.
- b. The Committee must comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the Committee.
- c. A former key audit partner¹ shall observe a cooling-off period of at least 2 years before being appointed as a member of the Committee.
- d. Chairman

The Chairman of the Committee must not be the Chairman of the Board of Directors.

- e. At least one member of the Committee:
 - i. must be a member of the Malaysian Institute of Accountants (MIA); or
 - ii. if he/she is not a member of the MIA, he/she must have at least 3 years working experience and:
 - o he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

¹ The engagement partner and the partner responsible for the engagement quality control review as well as other audit partners, if any, on the engagement team who make decisions or judgments on significant matters with respect to the audit of the Bank’s financial statements on which the auditor will express an opinion.

- o he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
- iii. fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

Frequency of Meetings

Meetings shall be held not less than twelve (12) times a year.

Quorum

A quorum shall comprise three Members.

Secretary

The Secretary of the Committee shall be the Group Chief Internal Auditor.

Authority

The Committee shall have the authority to:

- o Investigate any matter within its terms of reference.
- o Have the resources which are required to perform its duties.
- o Seek any information relevant to its activities from the employees of Public Bank (PBB) and the PBB Group.
- o Obtain such independent professional advice as it considers necessary.

- o Have full and unrestricted access to any information and documents pertaining to PBB and the PBB Group.
- o Convene meetings with the Internal Auditors without the presence of the Managing Director/Chief Executive Officer, Deputy Chief Executive Officer and other Senior Management staff whenever deemed necessary.
- o Meet with the External Auditor at least twice a year without the presence of the Managing Director/Chief Executive Officer, Deputy Chief Executive Officer and other Senior Management staff and when necessary, without the Internal Audit staff/Group Chief Internal Auditor.

Responsibilities and Duties

The responsibilities and duties of the Committee shall be:

a. Risk Management Systems, Internal Controls and Governance Processes

To review the adequacy and effectiveness of the risk management systems, internal controls and governance processes implemented in PBB and the PBB Group.

b. Internal Audit

- i. To assess and approve the appointment, replacement and dismissal of the Group Chief Internal Auditor (GCIA). On an annual basis, to review and assess the suitability of the GCIA, being a key responsible officer, in accordance with the fit and proper criteria as approved by the Board of Directors. The assessments shall be escalated to the Board of Directors for noting.
- ii. To evaluate the performance and approve the remuneration of the GCIA and escalate the outcome to the Board of Directors for noting.

- iii. To approve the recruitment and dismissal of the Senior Management Staff (Senior Manager and above) of Internal Audit Division.
- iv. To evaluate and approve the performance and remuneration of the Senior Management staff of the Internal Audit Division.
- v. To review the adequacy of the scope, functions, competency and resources of Internal Audit Division and that it has the necessary authority to carry out its work.
- vi. To approve the annual audit plan, training plan and internal audit framework.
- vii. To review the internal audit charter for recommendation to the Board of Directors for approval.
- viii. To establish a mechanism to assess the performance and effectiveness of the Internal Audit function.
- ix. To exercise oversight over the Internal Audit function of the Bank's subsidiary companies through the Audit Committee of the respective subsidiary companies.

c. External Audit

- i. To review the External Auditor's audit plans, scope of its audits and their audit reports, including the External Auditor's evaluation of the system of internal controls.
- ii. To assess the performance of the External Auditor and make recommendations to the Board of Directors on their appointment/re-appointment, remuneration, resignation and removal.

- iii. To review the suitability, independence and objectivity of the External Auditor and their services, including non-audit services.
- iv. To review the provision of non-audit services by the External Auditor for recommendation to the Board of Directors for approval.

d. Audit Reports

- i. To review the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by Management to address and resolve the significant lapses in controls and procedures that are identified.
- ii. To note the significant disagreements between the GCIA and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

e. Financial Reporting

To review the quarterly and annual financial statements of PBB and the PBB Group for recommendation to the Board of Directors for approval, with particular focus on:

- i. changes in or implementation of new accounting policies and practices;
- ii. significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and
- iii. compliance with the applicable approved accounting/auditor reporting standards and other legal and regulatory requirements.

f. Related Party Transactions

To review the audit report on the related party transactions that may arise between PBB and its related parties on a quarterly basis.

g. Other Matters

- i. To review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- ii. To monitor compliance with the Board of Directors' conflicts of interest policy.
- iii. To review third-party opinions on the design and effectiveness of the Bank's internal control framework.
- iv. To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.