

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 audit partner¹ shall observe a cooling-off period of at least 3 years before being appointed as a member of the Committee.
- d. The Chairman of the Board of Directors should not be a member of the Committee.
- 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 This applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.)

- 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 consist of at least half of the AC 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 PBB Group provided that such access and/or the disclosure of the information and documents by PBB and/or PBB Group is permitted, not restricted and/or prohibited under all applicable laws in the relevant jurisdiction, whether in or outside of Malaysia including but not limited to Malaysia Financial Services Act 2013 and Malaysia Islamic Financial Services Act 2013.
- 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 deems 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.
- o Invite other directors and employees of the Bank to attend Audit Committee meeting.

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, soundness and effectiveness of the risk management systems, internal controls, anti-corruption measures, whistleblowing policy and governance processes implemented in Public Bank.

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 as proposed by Human Capital Management 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 as proposed by Human Capital Management.
- v. To review the adequacy of the scope, 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 review and 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.
- v. To review and concur the proposed provision of non-audit services by the External Auditor of PBB (i.e. the Parent Bank Auditor) and/or a firm or corporation affiliated with the Parent Bank Auditor, to PBB's subsidiary companies and overseas branches.

d. Audit Reports

- i. To review the investigation, internal and external audit reports to ensure that appropriate remedial actions are taken timely by Management to address and resolve the identified key issues/significant lapses in controls and procedures.
- ii. To note any significant disagreements over audit issues between the GCIA and the Bank's Senior Management team, irrespective of whether these issues/lapses have been resolved, in order to identify the impact of such disagreements that 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/auditing standards in Malaysia 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 Annual 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.