

KLCC REIT MANAGEMENT SDN. BHD.

Registration No. 201201042293 (1026769-H)
(Incorporated in Malaysia)

[As the Management Company ("Manager") of
KLCC Real Estate Investment Trust ("KLCC REIT")]

Terms of Reference of Board Audit Committee

The primary function of the Board Audit Committee ("Committee") of the Manager is to assist the Board of Directors of the Manager ("Board") in corporate governance and management oversight of the management of KLCC REIT.

1.0 COMPOSITION

1.1 The members of the Committee shall be appointed by the Board amongst the Directors on the Board who fulfill the following requirements:

- (a) the Committee must be composed of no fewer than 3 members with a majority of them being Independent Directors;
- (b) the Committee must be made up entirely of Non-Executive Directors who should be financially literate; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and;
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

- 1.2 The members of the Committee shall elect a Chairman from amongst themselves who shall be an Independent Director. The Chairman of the Committee must not be the Chairman of the Board.
- 1.3 No Alternate Director shall be appointed as a member of the Committee.
- 1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") pertaining to the composition of the audit committee, the Board shall within 3 months of that event fill the aforesaid vacancy.
- 1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Nomination and Remuneration Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference set out in their Terms of Reference.
- 1.6 A former partner of external auditors' firm of KLCC REIT and the Manager (including all former partners of the audit firm and / or the affiliate firm such as those providing advisory services, tax consulting, etc.) and any other professionals with previous dealings with KLCC REIT and the Manager are required to observe a cooling-off period of at least 3 years before he or she could be appointed as a member of the Committee.

2.0 MEETINGS

2.1 Frequency

- (a) Meetings shall be held not less than 4 times a year.
- (b) Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or the unit holders.
- (c) The Audit Committee shall, when necessary, meet with the external auditors in separate sessions to discuss any matters without the presence of any Executive Directors and management of the Manager ("Management").

2.2 Quorum

To form a quorum for all meetings of the Committee, majority of the Committee members present must be Independent Directors.

2.3 Secretary

The Company Secretary of the Manager or, in his absence, another person authorised by the Chairman of the Committee, shall be the secretary of the Committee. He shall draw up the agenda of the meetings of the Committee in consultation with the Chairman of the Committee, prepare the minutes of the meetings of the Committee, and circulate the agenda papers well in advance of the meetings and the draft minutes after the meetings.

2.4 Attendance

- (a) The Chief Executive Officer, Head of Investment/Head of Finance of the Manager, and Head of Group Internal Audit Division of KLCC (Holdings) Sdn Bhd shall normally attend the meetings.
- (b) Other Directors, employees, representatives of Management, and representatives of the external auditors, adviser(s) and service provider(s) may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.5 Reporting Procedure

The minutes of each meeting of the Committee shall be circulated to all members of the Board.

2.6 Meeting Procedures

The Committee shall regulate its own procedure, in particular:

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

3.0 RIGHTS

In performing its duties the Committee shall, in accordance with a procedure to be determined by the Board:

- (a) have the authority to investigate any matter within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to KLCC REIT and the Manager and authority to seek any information it may require from the designated functional head in-charge and the relevant appointed service providers;
- (d) have direct communication channels with the external auditors, person(s) carrying out the internal audit functions or such other activities and functions of the Manager which may be outsourced to third parties, and such other persons whom the Committee may reasonably deem necessary;
- (e) be able to obtain independent advice, whether professional or otherwise, pertaining to any matter within its terms of reference which the Committee considers necessary at the expense of the Manager; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, while excluding the attendance of other directors and employees of the Manager and/or any of the appointed service providers, whenever deemed necessary.

4.0 FUNCTIONS

The Committee shall, amongst others, perform the following functions:

4.1 To review:

- (a) and recommend the quarterly results and annual financial statements, for Board approval, focusing particularly on:
 - (i) the going concern assumption;
 - (ii) new updates or changes in accounting principles/policies or its implementation;

- (iii) new updates or changes to regulatory requirements on the financial statements;
 - (iv) significant and unusual events; and
 - (v) compliance with accounting standards and other legal requirements;
 - (b) any related party transaction and conflicts of interest including any transaction, procedure or course of conduct that raises questions on management integrity, transparency and professionalism;
 - (c) with the external auditors:
 - (i) the audit plans;
 - (ii) evaluate the effectiveness of the internal control systems;
 - (iii) the external audit report to ensure that appropriate and prompt remedial action on major deficiencies and procedures that are identified is taken by the Management and appointed service providers of the Manager;
 - (iv) Management Letter and the Management's response; and
 - (v) the level of cooperation given by the employees of the Manager and the employees of the appointed service providers to the external auditors;
 - (d) the independence and objectivity of the external auditors and their services rendered, including non-audit services and professional fees, so as to ensure a proper balance between objectivity and value for money; and
- 4.2 To establish policies and procedures in governing circumstances for contracts of non-audit services to be entered into with the external auditors.
- 4.3 To consider and recommend the distribution amounts to unit holders of KLCC REIT (and payment of fees to the Manager) for approval by the Board.

- 4.4 To monitor and assess the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems of the Manager.
- 4.5 In respect of the appointment and resignation of external auditors:
- (a) to review whether there is reason (supported by grounds) to believe that the current external auditors is not suitable for reappointment;
 - (b) to consider and recommend the nomination of external auditors and the audit fee;
 - (c) to direct any questions relating to resignation, dismissal or re-appointment of the external auditors for the Board's approval; and
 - (d) to review any letter of resignation from the external auditors.
- 4.6 In respect of the outsourced internal audit function of the Manager:
- (a) to review the adequacy of the scope, functions, competency and resources of the internal auditors and whether it has the necessary authority to carry out its work;
 - (b) to review the effectiveness of the internal control system;
 - (c) to review the internal audit programmes, processes, audit plans, the results of the internal audit programmes, processes or investigations undertaken, and whether or not appropriate actions have been taken based on the recommendations of the internal auditors;
 - (d) to review the findings and recommendation arising from the internal control review conducted by the internal auditors which will be set out in a report to be tabled to the Committee at its meeting;
 - (e) to review any appraisal or assessment of the performance of members of the internal audit function;
 - (f) to approve any appointment or termination of senior staff members of the internal audit function; and

- (g) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 4.7 To direct and where appropriate supervise any specific projects or investigation considered necessary and review investigation reports on any major defalcations, frauds and thefts.
- 4.8 To review the procedures in place to ensure that KLCC REIT and the Manager are in compliance with the laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to real estate investment trust and the Manager.
- 4.9 If the Committee is of the view that any matter which it had reported to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matters to Bursa Securities.
- 4.10 To carry out such other functions as may be agreed to by the Committee and the Board.