



## **TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

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The terms of reference of the Audit and Risk Management Committee (“**ARMC**” or “**Committee**”) are as follows:

### **1. OBJECTIVE**

The primary objective of the ARMC are:

- (i) To establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of risk management and internal control, and the audit process and the process of monitoring compliance with laws and regulations;
- (ii) To provide greater transparency on the audit functions by increasing the objectivity and independence of external and internal auditors and providing a forum for discussion that is independent of the management; and
- (iii) To maintain open communication through regularly scheduled meetings a direct line of communication between the Board and the external auditors, internal auditors and financial management.

### **2. COMPOSITION**

- (i) The ARMC shall be appointed by the Board from amongst the Directors and composed of no lesser than three (3) members.
- (ii) All the ARMC members must be Non-Executive Directors with a majority of whom shall be Independent Directors and at least one (1) member must:
  - (a) is a member of the Malaysian Institute of Accountants (“**MIA**”); or
  - (b) if he/she is not a member of the MIA, he must have at least three (3) years’ of working experience and;
    - (aa) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - (bb) he/she must be a member of one of the associations of accountants as specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**”);
- (iii) No Alternate Director shall be appointed as a member of the ARMC.
- (iv) All members of the ARMC should be financial literate, competent and able to understand matters under the purview of the ARMC, including the financial reporting process.
- (v) In the case of a former partner of the external audit firm of the Company being nominated as a member of the ARMC, he shall observe a cooling period of at least three (3) years before being appointed as a member of the ARMC.



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- (vi) In the event of any vacancy in the ARMC resulting in non-compliance of items 1(i), 1(ii) and 2(ii), the Company must fill the vacancy within three (3) months. Therefore, a member of the ARMC who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he/she leaves.

The terms of office and performance of the ARMC and each of its members must be reviewed by the Nomination and Remuneration Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with their Terms of Reference.

### **3. CHAIRMAN**

- (i) The Chairman of the ARMC shall be appointed by the Board, or failing which, by the members of the ARMC themselves. The Chairman shall be an Independent Director of who is not the Chairman of the Board.
- (ii) In the absence of the Chairman, the meeting shall be chaired by another member of the ARMC, who is an Independent Director.
- (iii) The Chairman shall engage on a continuous basis with the Chairman of the Board, the Managing Director, the Chief Financial Officer, Senior Management, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company, such as the Company's reporting process, internal controls, risk management and governance with the aim of ensuring the effectiveness and efficiency of the internal control system and the risk management framework.
- (iv) The role of the Chairman is to plan and conduct meetings, oversee reporting to the Board, encourage open discussion during meetings and develop and maintain an active on-going dialogue with Senior Management and both Internal and External Auditors.

### **4. SECRETARY**

- (i) The Company Secretary or his/her nominee shall act as Secretary of the ARMC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.
- (ii) The Secretary or his/her nominee shall also be responsible for attending, recording and keeping the minutes of meetings of the ARMC and circulating them to the Committee Members. The Committee Members may inspect the minutes of the ARMC Meeting at the Registered Office or such other place as may be determined by the ARMC.
- (iii) The Minutes of the ARMC shall be tabled to the Board for notation.



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### **5. MEETINGS**

- (i) The ARMC shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.
- (ii) The ARMC may call for a meeting as and when required, with reasonable notice given. The Committee Members may participate in a meeting electronically, in which case all persons participating in the meeting can see or hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- (iii) All decisions at such meeting shall be decided by a show of hands on a majority of votes. In case of an equality of votes, the Chairman shall be entitled to a casting vote in addition to the vote to which he is entitled as an ARMC member.
- (iv) The Managing Director, other Directors, Chief Financial Officer, Senior Management, Internal Auditors and/or External Auditors may attend at any meeting at the invitation of the ARMC and shall appear before the Committee when required to do so by the Committee.
- (v) The Chairman shall, upon request of the Internal Auditors and/or External Auditors, convene a meeting with the Committee to consider any matter the Internal Auditors and External Auditors believe should be brought to the attention of the Directors or shareholders.
- (vi) In the event that the ARMC requires matters to be approved by way of written resolution, a resolution in writing, signed or approved by letter or other electronic means by all the Members shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted, and may consist of several documents in the like form, each signed by one or more Members of the ARMC.

### **6. RIGHTS AND AUTHORITIES**

The ARMC shall:

- (i) have authority to investigate any matter within its Terms of Reference;
- (ii) have the appropriate resources which are required to perform its duties;
- (iii) have full and unrestricted access to any resources and information pertaining to the Group as deemed appropriate for the discharge of its responsibilities to the Company;
- (iv) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- (v) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuer, tax consultants with relevant experience and expertise to attend the ARMC meeting (if required) and to brief the Committee, at the expense of the Company, with prior consent of the Managing Director to approve the budget;



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- (vi) have the right to convene meetings with the External Auditors and/or the Internal Auditors, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- (vii) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the Listing Requirements; and
- (viii) meet as and when required on a reasonable notice.

### **7. DUTIES AND RESPONSIBILITIES**

In fulfilling the primary objectives, the ARMC shall undertake, amongst others, the following duties and responsibilities:

#### **❖ Financial Reporting**

- (i) To review the quarterly results and annual financial statements before recommending them to the Board for approval and release to Bursa Securities, focusing particularly on:
  - (a) any changes in or implementation of accounting policies and practices;
  - (b) significant or material adjustments with financial impact arising from the audit;
  - (c) significant matters are highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed;
  - (d) financial decision-making with the presumptions of significant judgments;
  - (e) the going concern assumptions;
  - (f) the appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements; and
  - (g) compliance with applicable financial reporting standards and other legal requirements.
- (ii) To monitor the integrity of the financial statements of the Company.
- (iii) To review whether the financial report represents a true and fair view of the Company's performance and ensure compliance with the regulatory requirements.
- (iv) To propose best practices on disclosure in the financial statements and the annual reports of the Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.



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❖ **External Audit**

- (i) To recommend the appointment or re-appointment of the External Auditors and audit fees and non-audit fees to the Board, after assessing the suitability, objectivity, resources, competency, and independence of the External Auditors.
- (ii) To review and approve the provision of non-audit services by the External Auditors and their affiliates to ensure that they comply with the External Auditors Policy and Procedures.
- (iii) To make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the External Auditors and to secure the reason for such resignation, dismissal or cessation of office.
- (iv) To review with the External Auditor for the Statement on Risk Management and Internal Control for inclusion in the Annual Report.
- (v) To review with the external auditors on:
  - (a) the audit plan, its scope and nature;
  - (b) the audit report;
  - (c) the financial and non-financial information in the Annual Report;
  - (d) the evaluation of system of internal control;
  - (e) the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group;
  - (f) the assistance given by the officers of the Company to the External Auditors, including any difficulties or disputes with Senior Management encountered during the audit;
  - (g) management letter and/or major findings of internal investigations and management's response therein; and
  - (h) the nature and extent of the non-audit services rendered by the External Auditors and the appropriateness of the level of fees.

❖ **Internal Audit**

- (i) To recommend the appointment of the in-house and/or Internal Auditors and outsourced Internal Auditors, and their fees to the Board.
- (ii) To make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the Internal Auditors and to secure the reason for such resignation, dismissal or cessation of office.



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- (iii) To approve the Internal Audit Charter.
- (iv) To review the adequacy of the scope, functions, competency, resources, and authority to carry out its work.
- (v) To review the risk-based internal audit plans, programmes and processes.
- (vi) To ensure coordination between the Internal and External Auditors.
- (vii) To review and approve the internal audit plan and internal audit report, where necessary to ensure processes and appropriate action are taken on the recommendations of the internal audit function.
- (viii) To receive and review on a regular basis the major and significant findings reported by the Internal Auditors and follow up on Senior Management's implementation of the recommended actions that have been duly taken up and addressed.
- (ix) To annually assess the performance of services provided by the Internal Auditors and be satisfied that the internal audit should be carried out objectively and be independent from Management of the Company and the functions which it audits and report its findings directly to the ARMC.
- (x) To request and review any special audit requests that the ARMC deems necessary.
- (xi) To review the effectiveness and efficiency of the internal audit control system, including the anti-corruption, whistle-blowing and governance processes in place and the risk factors affecting the Group, as well as the action plans taken by Management to resolve the issues to ensure the adequacy of the internal control system.

**❖ Conflict of Interest Situations and Related Party Transactions**

- (i) To review and monitor related party transactions (including Recurrent Related Party Transactions) entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis, on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public.
- (ii) To ensure that the Board reports such transactions annually to shareholders via the annual report.
- (iii) To review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (iv) To review the Policy for Related Party Transactions and Recurrent Related Party Transactions.
- (v) To report to Bursa Securities, if there is any recurrent related party transaction that exceeds the Shareholders' Mandate and provide full reasoning and detailed explanations.



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❖ **Whistle-blowing and Fraud**

- (i) To review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- (ii) To ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action and review the Company's procedures for detecting fraud.
- (iii) To review and ensure the confidentiality of the anonymous submission by the employees on concerns raised in relation to questionable business and operating practices, including accounting or audit related matters within the Group.
- (vi) To review the Company's procedures for detecting fraud.
- (vii) To cultivate the awareness of the employees and ensure the whistle-blower could report directly to the Committee on any possible wrongdoings or fraud detected.

❖ **Risk Management and Internal Control**

- (i) To review the adequacy and effectiveness of the Company's risk management framework and processes and to recommend necessary measures to the Board on the effectiveness of the internal control systems and risk management practices of the Group.
- (ii) To ensure that the internal control system is sound and in place, effective administered and regularly monitored, including complying with the applicable laws, rules and regulations, corporate governance requirements and guidelines.
- (iii) To assist the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.
- (iv) To review the risk appetite of the Group and advise the Board on the overall risk appetite and risk tolerance of the Group in order to align with the Group's vision and mission.
- (v) To engage with Management for an on-going risk appetite dialogue as conditions and circumstances change and new opportunities arise.
- (vi) To promote a healthy risk culture and watch for dysfunctional behaviour that could undermine the effectiveness of the risk management process.
- (vii) To review the risk profile of the Group on a periodic basis and ensure those significant risks which are set outside of tolerable ranges are being responded to with appropriate corrective actions in a timely manner.
- (viii) To review the strategies and controls pertaining to the transfer of insurable risks, and the adequate coverage of such risks, vis-à-vis the risk appetite and the risk profile of the Group.



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- (ix) To review the strategies and processes pertaining to business continuity management;
- (x) To review the strategies pertaining to cyber risk management, including policies and procedures governing cyber risks, and continuously monitor the effectiveness of the implementation of the cyber security framework.
- (xi) To review sustainability strategies implemented by the Group in respect of engaging stakeholders, materiality assessment, establishing policies and practices, setting and assessing targets and measuring actual performance against targets.
- (xii) To review and monitor the sustainability report of the Group and recommend the same to the Board for approval.
- (xiii) To review and recommend to the Board the Director's Statement on Risk Management and Internal Control and any changes to the said statement.

### **8. REPORTING RESPONSIBILITIES**

- (i) To report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (ii) To make recommendations to the Board as and when it deems appropriate on any areas within its remit where action or improvement is needed.

### **9. OTHER MATTERS**

- (i) To report to Bursa Securities, if the ARMC views that a matter resulting in a breach of the Main Market Listing Requirements of Bursa Securities reported by the ARMC to the Board has not been satisfactorily resolved by the Board.
- (ii) To direct, and where appropriate, supervise any special projects or investigations considered necessary, and review investigation reports on any major defalcations, frauds, or thefts.
- (iii) To highlight such matters as the ARMC considers appropriate or as defined by the Board from time to time.
- (iv) To verify the allocation of options pursuant to a share issuance scheme for employees of the Group, if any, to ensure compliance with the criteria for allocation of options under the share issuance scheme at the end of each financial year.
- (v) To oversee any periodic or ad-hoc or assurance activities with respect to sustainability management and reporting processes.
- (vi) To undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.





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**10. REVIEW OF TERMS OF REFERENCE**

The Terms of Reference of the ARMC shall be reviewed and updated at least once every three (3) years or as and when there are revisions to, amongst other the Malaysian Code on Corporate Governance, Main Market Listing Requirements of Bursa Securities and/or any other rules and regulatory requirements that may be applicable or have an effect on the ARMC's roles and responsibilities.

The Terms of Reference of the ARMC shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may have an effect on the ARMC's roles and responsibilities.

The ARMC shall recommend any change to the Terms of Reference in such manner as the ARMC deems appropriate to the Board for approval.