

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

### **1. OBJECTIVE**

The objective of the Audit and Risk Management Committee (“**ARMC**”) is to assist the Board of Directors (“**Board**”) to effectively discharge its responsibilities for the following:-

- oversight of the financial reporting process of the Company and its subsidiary (the “**Group**”);
- oversight of the Group’s processes relating to its risk and control environment;
- oversight of the internal and external audit process;
- oversight of the conflict of interest situations and related party transactions; and
- identification of principal risks and implementation of appropriate systems and risk assessment processes to manage such risks for the Group.

In addition, the ARMC shall:-

- (a) oversee and appraise the quality of the audits conducted by both of the Company’s internal and external auditors, including issues pertaining to the internal control within the Group;
- (b) maintain open lines of communication between the Board, internal and external auditors for the exchange of views and information as well as to confirm their respective authority and responsibilities; and
- (c) determine the adequacy of the Group’s administrative, operating and accounting controls.

### **2. STRUCTURE AND COMPOSITION**

2.1 The Board shall elect the members of the ARMC from amongst themselves, comprising no fewer than three (3) members exclusively of Independent Non-Executive Directors.

2.2 All members of the ARMC should be financially literate and at least one (1) member of the ARMC:-

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if not a member of the Malaysian Institute of Accountants, must have at least three (3) years’ working experience and:-
  - must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

- 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**”).
- 2.3 The ARMC members shall have a mixture of expertise and experience, including sufficient understanding of the industries in which the Group operates in order to challenge and facilitate robust discussions on the management of the Group’s key risk areas with the ability to anticipate, assess and mitigate potential future risks to the Group.
- 2.4 No alternate Director shall be appointed as a member of the ARMC.
- 2.5 The Chairman of the Board shall not be a member of the ARMC.
- 2.6 The Company Secretary or other appropriate senior official shall act as the Secretary of the ARMC and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it within a reasonable period prior to the meeting, supported by explanatory documentation to ARMC members prior to each meeting.
- 2.7 If a member of the ARMC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board 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.
- 2.8 No former partner of the external audit firm of the Company shall be appointed as a member of the ARMC unless a cooling-off period of at least three (3) years have been observed.
- 2.9 The Board shall via Nomination and Remuneration Committee review the term of office and performance of the ARMC and each of its members annually to determine whether the ARMC and its members have carried out their duties in accordance with its Terms of Reference.

### **3. CHAIRMAN OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

- 3.1 The members of the ARMC shall elect a chairman amongst themselves, who is an Independent Non-Executive Director of the Company identified by the Board.
- 3.2 In the absence of the ARMC Chairman, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these Terms of Reference to be appointed to that position.

**4. ATTENDANCE**

- 4.1 Only members have the rights to attend the ARMC meetings. However, the Chief Executive Officer (“**CEO**”) and/or Managing Director (“**MD**”), Chief Financial Officer (“**CFO**”), key representatives of the internal auditors and external audit lead partner will be invited to attend meetings of the ARMC on a regular basis.
- 4.2 The Chairman of the ARMC, or the ARMC members with the approval from the Chairman, may invite any person or persons to attend the ARMC meetings, but not necessarily for the full duration of the meeting.

**5. QUORUM**

- 5.1 The quorum for all meetings of the ARMC shall consist of at least the majority of the members who are Independent Non-Executive Directors. In the absence of a quorum, the meeting shall be adjourned to such other date and at such other time and venue as the ARMC may determine.
- 5.2 A duly convened meeting of the ARMC at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretions vested by the ARMC.

**6. MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

- 6.1 The ARMC may meet together for the despatch of business, adjourn and otherwise regulate their meetings, at least four (4) times a year on a quarterly basis or more frequently as deemed necessary by the Chairman of the ARMC. The Chairman may call for additional meetings at any time at the Chairman’s discretion.
- 6.2 The ARMC shall meet with the internal and external auditors, without the presence of any executive Board members and Management, at least once a year. The external auditors may request a meeting if they consider one necessary.
- 6.3 Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated in the meeting. All resolutions of the ARMC shall be adopted by a majority votes. In the event of an equality of votes, the Chairman of the ARMC shall be entitled to a second or casting vote.

- 6.4 Attendance at all meetings of ARMC may be in person or by way of participation via video conference or teleconference or such other means as may be agreed by the members, and it shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 6.5 The Secretary or a Company's Officer shall on the requisition of the members of the ARMC summon a meeting of the ARMC and, except in the case of an emergency, reasonable notice of every ARMC meeting shall be given in writing.

## **7. AUTHORITY**

The ARMC shall, whenever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- (a) have explicit authority to investigate any matter within its Terms of Reference;
- (b) have the resources which are reasonably required to enable it to perform its duties;
- (c) have full and unrestricted access to any employee, information, documents and resources pertaining to the Group in the course of performing its duties;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain and/or appoint independent professional to conduct or to assist in conducting any investigation, upon the terms of appointment to be approved by the Board;
- (f) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or both, excluding the attendance of other Executive Directors and employees of the Company, whenever deemed necessary;
- (g) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements of Bursa Securities has occurred and has not been satisfactorily resolved;
- (h) be able to make decision on matters which fall within the purpose and responsibilities of the ARMC; and
- (i) be able to provide assurance concerning the Company's risk profile to the Board.

The Chairman of the ARMC should engage on a continuous basis with Senior Management, such as the Chairman, CEO and/or MD, CFO, internal and external auditors in order to be kept informed of matters affecting the Group.

## **8. DUTIES AND RESPONSIBILITIES**

In fulfilling its primary objectives, the ARMC shall undertake the following duties and responsibilities:-

8.1 To review the following and report the same to the Board:-

- (i) the external audit plan, nature, scope and plan of the audit before audit commences and ensure co-ordination where more than one audit firm is involved;
- (ii) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors;
- (iii) the external audit report;
- (iv) the assistance given by the Company's employees to the external auditors, including any difficulties or disputes with Management encountered during the audit;
- (v) the annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following and undertaking follow-up measures, where required:-
  - the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
  - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
  - the nature and extent of the non-audit services tendered and the appropriateness or the level of fees; and
- (vi) written assurance from the external auditors confirming that they are, and have been independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

8.2 (i) To approve non-audit service before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees. The ARMC should avoid situations where the audit firm inadvertently assumes the responsibilities of management in the course of providing non-audit services. Such a situation may be a breach of the independence requirements on the

part of the audit firm.

- (ii) In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant, i.e. constitute 50% of the total amount of audit fees paid to the Company's external auditors, the details on the nature of non-audit services rendered shall state in the ARMC's Report.

- 8.3 To nominate and recommend the appointment or re-appointment of the external auditors, and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable and report the same to the Board;
- 8.4 To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of Management, where necessary);
- 8.5 To review the external auditors' management letter and management's response;
- 8.6 To provide oversight, direction and counsel to the Group's risk management process which includes the following:-
- Establish the Group's Risk Management Framework based on an internationally recognised risk management framework;
  - Conduct an annual review and periodic testing of the Group's Risk Management Framework. This should include any insights it has gained from the review and any changes made to its Risk Management Framework arising from the review;
  - Monitor the Group and Divisional level risk exposures and management of the significant financial and non-financial risks identified;
  - Review the Group Risk Profile (including risk registers) and evaluate the risk assessments of the Group and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner;
  - Review the status of the implementation of management action plans in mitigating significant risks identified; and
  - Review and recommend the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets.

- 8.7 To establish and periodically review the Group risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them;
- 8.8 To recommend for the Board's approval the Group's Risk Management Framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto;
- 8.9 To evaluate the effectiveness of the risk management structure, processes and support system to identify, assess, monitor and manage the Group's key risks;
- 8.10 To review all major investment and project business cases in accordance with established thresholds in the approved Group Limits of Authority, focusing on the following:-
- Evaluate the risks associated with funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment or project;
  - Advise the Board on potential risk response strategies that need to be adopted in relation to a decision to proceed with the investment or project;
  - Monitor the execution/operationalisation of investments or projects and highlighting key risks to the Board as relevant;
  - Review the effectiveness of risk mitigating actions post approval for major investments and projects based on Group Finance (GF) assessments, and reporting the same to the Board;
  - Review actual financial and operational performance of investments or projects against projected returns (i.e. return on investment, implementation timelines), and reporting the same to the Board.
- 8.11 To review investment proposals considered significant including:-
- New lines of business (defined as businesses outside existing sectors, expansion across industry value chains within current sectors and new franchises); or
  - New territories and countries (defined as expansion of existing businesses into new markets/ territories).
- 8.12 To review the statement on Risk Management and Internal Control for inclusion in the Annual Report to ensure that relevant information as prescribed in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**AMLR**") is

disclosed. Disclosure in the annual report should include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place for the Group to mitigate and manage those risks;

- 8.13 To review the adequacy, effectiveness 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.
- 8.14 To do the following, in relation to the internal audit function:-
- (i) Review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - (ii) Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
  - (iii) Review any appraisal or assessment of the performance of members of the internal audit function;
  - (iv) Approve any appointment or termination of the internal auditors;
  - (v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - (vi) Investigate or cause to be investigated any activity within its Terms of Reference; and
  - (vii) To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- 8.15 To discuss and review the major findings or any internal investigations and the Management's response;
- 8.16 To ensure the internal audit function is independent of the activities it audits and the internal auditor reports directly to the ARMC. The internal auditors should have relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;



- 8.17 To review the adequacy and effectiveness of the risk management process to identify key original risks and the systems/processes in place to monitor and manage risks prepared by the internal auditors;
- 8.18 To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management's integrity and the framework to be established;
- 8.19 To review conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management's integrity;
- 8.20 To ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes;
- 8.21 To ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman of the Board or the Chairman of the ARMC, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's whistleblowing policy;
- 8.22 To review the Group's policies and procedures for detecting fraud;
- 8.23 To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
  - (i) Any changes in or implementation of major 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 being addressed;
  - (iii) The going concern assumption; and
  - (iv) Compliance with accounting standards and other legal requirements.
- 8.24 To monitor the integrity of the financial statements of the Group;
  - (i) Assess whether the financial reports represent a true and fair view of the Group's performance and ensure compliance with the regulatory requirements;
  - (ii) To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and

- (iii) To propose best practices on disclosure in the financial statements and the annual reports of the Group, to be in line with the recommendations set out in the Malaysian Code on Corporate Governance and other applicable rules and regulations.
- 8.25 To verify the allocation of options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of options under the share issuance scheme, at the end of each financial year;
- 8.26 To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time; and
- 8.27 Carry out any other function that may be mutually agreed upon by the ARMC and the Board.

## **9. REPORTING PROCEDURES**

- 9.1 The ARMC shall prepare an annual report to the Board that provides a summary of the activities of the ARMC for inclusion in the Company's annual report.
- 9.2 The ARMC shall assist the Board in preparing the following for publication in the Company's annual report:-
  - (a) Statement on the Company's application and extent of compliance of the principle and recommendations as set out in the Malaysian Code on Corporate Governance specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;
  - (b) Statement on the Board's responsibility for preparing the annual audited accounts; and
  - (c) Statement about the state of risk management and internal control of the Group.
- 9.3 The ARMC to report promptly any matters resulting in the breach of AMLR of Bursa Securities to the Board. Where the ARMC is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the ARMC shall promptly report such matter to Bursa Securities.

**10. REPORTING RESPONSIBILITIES**

The Chairman of the ARMC shall report to the Board on its proceedings after each meeting on all matters with its duties and responsibilities. The ARMC shall also make whatever recommendation to the Board it deems appropriate or any area within its remit where action or improvement is needed.

**11. ANNUAL GENERAL MEETING**

The Chairman of the ARMC should attend the Annual General Meeting of the Company to answer any questions raised by the shareholders relating to the ARMC's activities.

**12. MINUTES**

The minutes of the meetings of the ARMC shall be circulated to all members of the ARMC and Board. The minutes shall be properly kept under the custody of the Secretary of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the ARMC.

**13. NOTICE OF MEETINGS**

Unless otherwise agreed, notice of each ARMC meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the ARMC, any other person required to attend and all other Non-Executive Directors, at least five (5) days before the date of the ARMC meeting. Meeting papers and agenda items shall be circulated to ARMC members and other attendees as appropriate, at the same time.

**14. CIRCULAR RESOLUTION**

A resolution in writing, signed or approved by letter, telegram, telex, telefax or other electronic means by a majority of the ARMC members entitled to receive notice of a meeting of the ARMC, shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the members of the ARMC.

**15. REVISION AND UPDATES**

The ARMC Terms of Reference shall be assessed, reviewed and updated regularly to ensure it remains consistent with the ARMC's objectives and responsibilities or as and when there are changes to the AMLR of Bursa Securities, Malaysian Code on Corporate Governance or any other regulatory requirements that may have an effect on the ARMC's responsibilities.

**16. APPROVAL**

The Terms of Reference is approved by the Board of the Company on 21 March 2022.