

# **Terms of Reference of Audit and Risk Management Committee**

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Rev : 00

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**1. Objectives**

The principal objectives of the Audit and Risk Management Committee ("**ARMC**") are to assist the Board of Directors ("**Board**") in discharging its statutory and fiduciary duties and responsibilities relating to accounting and reporting practices as well as risk management policies and strategies and sustainability initiatives of the Company and its subsidiaries ("**the Group**"). In addition, the ARMC shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct;
- (d) determine the quality, adequacy and effectiveness of the Group's control environment;
- (e) ensure financial statements comply with applicable financial reporting standards; and
- (f) fulfil its corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure of the Group.

**2. Composition of members**

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

*In this respect, the Board adopts the definition of "Independent Director" as defined under Bursa Malaysia Securities Berhad ("**Bursa Securities**") ACE Market Listing Requirements ("**the Listing Requirements**").*

Collectively, the ARMC should possess a wide range of necessary skills to discharge its duties. All members of the ARMC shall be financially literate, competent and are able to understand matters under the purview of the ARMC including the financial reporting process. At least one (1) member of the ARMC:-

- (a) must be a member of the Malaysian Institute of Accountants ("**MIA**"); or
- (b) if he is not a member of the MIA, he must have at least three (3) years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

**2. Composition of members – cont'd**

- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate Director of the Board shall be appointed as a member of the ARMC.

No former partner of the Company's external auditors shall be appointed as a member of the ARMC unless the said former partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the ARMC. The former partner herein refers to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting, etc.)

All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

**Retirement and resignation**

If a member of the ARMC or Chairman of the ARMC resigns, dies, or for any reason ceases to be a member or Chairman resulting in non-compliance to the composition criteria as stated in the paragraph 2 above, the Board shall within three (3) months of the event appoint such number of the new member(s) or Chairman of the ARMC respectively as may be required to fill the vacancy.

**3. Chairman**

The Chairman of the ARMC shall be an Independent Non-Executive Director appointed by the Board from amongst the ARMC members and who shall not be the Chairman of the Board. The ARMC Chairman shall chair all ARMC meetings but in the absence of the Chairman, the members of the ARMC can elect from amongst themselves as the Chairman of the meeting.

The Chairman of the ARMC is responsible for ensuring the overall effectiveness and independence of the ARMC.

The Chairman of the ARMC together with other members of the ARMC should ensure amongst others that:-

- the ARMC is fully informed about significant matters related to the Company's audit and its financial statements and address these matters;
- the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- the ARMC's concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditors; and
- there is co-ordination between internal and external auditors.

**4. Secretary(ies)**

The Secretary(ies) of the ARMC shall be the Company Secretary(ies) of the Company.

The Secretary(ies) shall be responsible for drawing up the agenda and circulating it prior to each meeting and keeping the minutes of meetings of the ARMC.

**5. Terms of Office**

The Nomination Committee of the Company shall review the term of office and performance of the ARMC and each of its members annually to determine whether such ARMC and members have carried out their duties in accordance with the ARMC's terms of reference.

**6. Meetings**

The ARMC shall meet together for the despatch of business, adjourn and otherwise regulate their meetings, at least four (4) times a year or more frequently as deemed necessary. The Chairman or any other member of the ARMC may call for additional meetings at any time at their discretion.

Upon the request of the external auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the ARMC, the Board or the shareholders.

Reasonable notice of ARMC meetings shall be given in writing sent through the post, facsimile, electronic mail and by any means of telecommunication in permanent written form to all the ARMC members, except in the case of emergency, where ARMC may waive such requirement.

The ARMC may hold a committee meeting at one (1) or more venues within or outside Malaysia using any technology that gives the ARMC members as a whole a reasonable opportunity to participate. Any member of the ARMC participates at an ARMC meeting by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other and be heard for the entire duration of the meeting in which event such member shall be deemed to be present at the meeting. A member participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the members attending the meeting provided that at least one (1) of the members present at the meeting was at such place for the duration of that meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.

The Chairman of the ARMC shall engage on a continuous basis with the Chairman of the Board, the Managing Director, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The ARMC may invite other Board members, Chief Financial Officer, employees, including the representatives of the internal auditors and external auditors and other consultants, to attend the meeting to brief the ARMC on issues that are set out in the meeting agenda. The ARMC shall be able to convene meetings with the external auditors, internal auditors or both, without the presence of the other executive Board members and employees, whenever deemed necessary.

Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the ARMC shall have a second or casting vote.

**7. Quorum**

The quorum shall consist of two (2) members, who are Independent Non-Executive Directors.

**8. Circular Resolution**

A resolution in writing may be accepted as sufficiently signed by a member of the committee if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by a majority of the ARMC members for the time being, and shall be valid and effective as if it had been passed at a meeting of the ARMC duly called and constituted. All such resolutions shall be described as "Audit and Risk Management Committee Members' Resolution in Writing" and shall be forwarded or otherwise delivered to the Company Secretary(ies) without delay and shall be recorded by the Company Secretary(ies) in the minutes book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the ARMC.

**9. Minutes**

Minutes of each ARMC meeting shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board.

The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence of the proceedings of the meeting duly held.

**10. Reporting**

The Chairman of the ARMC shall on behalf of the ARMC report to the Board on the proceedings of each meeting and on matters as it considers appropriate within its terms of reference at least once a year, but more frequently if it so wishes, either formally in writing or verbally.

The ARMC shall report to the Board on any specific matters referred to it by the Board.

**11. Authority**

The ARMC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC;
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group;
- (c) obtain independent professional advice or other advice and invite outsiders with relevant experience and expertise to attend meetings, if it considers necessary;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMC shall promptly report such matter to Bursa Securities; and

**11. Authority – cont'd**

- (f) be entitled to the services of the Company Secretary(ies).

**12. Duties and Responsibilities**

The duties and responsibilities of the ARMC are as follows:-

- (a) To review the engagement, compensation, performance, qualification and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;
- (b) To assess the suitability, objectivity and independence of the external auditors, including obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- (c) To establish, review and approve a policy on non-audit services which may be rendered by the external auditors and/or their affiliates, including the conditions and procedures which must be adhered to by the external auditors and/or their affiliates in the provision of such services;
- (d) To approve the non-audit services provided by the external auditors and/or their affiliates;
- (e) To review and recommend the quarterly and annual financial statements for approval by the Board before announcement to regulatory bodies, focusing particularly on:-
  - any changes in or implementation of major accounting policies and practices;
  - significant matters highlighted, including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
  - going concern assumption; and
  - compliance with accounting standards and other regulatory or legal requirements;
- (f) To discuss issues and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary).
- (g) To review and monitor any related party transaction/business dealings entered into by the Company and the Group and any conflict of interest situation that may arise within the Company and the Group, including any transaction, procedure or course of conduct that raises the questions of management integrity;
- (h) To oversee and recommend the risk management and internal control framework of the Group;
- (i) To review and recommend changes as needed to ensure that the Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- (j) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Group's business risks;

**12. Duties and Responsibilities – cont'd**

- (k) To review the reporting guidelines for the Management to report to the committee on the effectiveness of the Group's management of its business risks;
- (l) To review the risk profile of the Group and to evaluate the measure taken to mitigate the business risks;
- (m) To review the adequacy of the Management's response to issues identified to risk registers, ensuring that the risks are managed within the Group's risk appetite;
- (n) To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;
- (o) To enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all the stakeholders;
- (p) To consider the major findings of internal investigations and the Management's response;
- (q) To do the following, in relation to the internal audit function:-
  - consider and approve the appointment of the internal auditors, the internal audit fee and any question of resignation or dismissal.
  - review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.
  - review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors.
  - consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in response to audit findings.
  - review and decide on the budget allocated to the internal audit function.
  - appraise or assess the performance of members of the internal audit function.
  - monitor the overall performance of the Company's internal audit function.
- (r) To do the following, in relation to the risk management:-
  - monitor and ensure risk management processes are integrated into all core business processes.
  - periodically review risk management infrastructure and risk management policies adopted by the Group, if any.

- update the Board on risk management activities and make the necessary recommendations to the Board on risk management and internal controls, as needed.
  - assist the Board in disclosing risk management and internal control matters under the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report.
- (s) To do the following, in relation to the sustainability:-
- to review the implementation of the Group's sustainability-related strategies and initiatives.
  - to monitor the establishment and maintenance of a process, including controls, policies and procedures, for the systematic identification, assessment, prioritisation, management, monitoring and reporting of the Group's material economic, environmental and social risks and opportunities.
  - to assist the Board pertaining to disclosures in the Sustainability Statement for inclusion in the Company's Annual Report.
- (t) To verify the allocation of Employees' Share Option Scheme ("**ESOS**") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any.
- (u) To perform such other functions as may be requested by the Board.

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