

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

### **CONSTITUTION**

The Board of Directors (“Board”) hereby resolves to establish a Committee of the Board to be known as the Audit and Risk Management Committee (the “Committee”) with the following Terms of Reference.

### **COMPOSITION OF AUDIT AND RISK MANAGEMENT COMMITTEE**

The Committee shall be appointed by the Board from among its members and shall consists of not less than three (3) members, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors.

The Chairman of the Board shall not be the Chairman of the Committee. The Chairman of the Committee must be an Independent Non-Executive Director elected among the members of the Committee.

The Committee shall include at least one person who is a member of the Malaysian Institute of Accountants (MIA) or alternatively a person who must have at least three (3) years’ working experience and have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or is a member of the associations of accountants specified in Part II of the said Schedule or fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

All members of the Committee shall be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process. All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

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

The Committee shall elect a Chairperson from amongst its members. In the event that a member of the Audit and Risk Management Committee (including Chairman) resigns, dies or for any other reason ceases to be a member, with the result that the number of members is reduced to below three, the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

The Board must via Nomination Committee reviews the terms of office and performance of the Committee members annually.

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In the event of any vacancy in the Committee (including Chairman) resulting the non-compliance of the above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within three (3) months of that event.

For engagement of a former key audit partner as member of the Committee, there must be a cooling-off period of at least two years before being appointed as a member of the Committee.

### MEETINGS

The Committee shall meet at least four (4) times a year. In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the Management or the Internal or External Auditors to consider any matter within the scope and responsibilities of the Committee.

The Committee shall meet at least two (2) times a year with the External Auditor and/or the Internal Auditor without presence of any Executive Board members, Management or employees.

The Committee meetings shall be governed by the provisions of the Company's Articles of Association relating to Board meetings unless otherwise provided for in this Terms of Reference. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

A member of Committee may participate in a meeting by means of telephone conference or video conference or any other means of audio-visual communications and the member shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

The notice and agenda for each Committee meeting shall be sent to all members of the Committee and any other persons who may be required to attend the meeting within a reasonable period prior to the meeting.

The Chairman shall submit an annual report to the Board, summarising the Committee's activities during the year.

### QUORUM

A quorum shall consist of a majority of Committee members present at the meeting who are Independent Directors. In the absence of the Chairman, the members present at the meeting shall elect a Chairman for the meeting from amongst the members present.

## **ATTENDANCE AT MEETINGS**

The Head of Finance, the Head of Internal Audit, the Head of Legal, the Company Secretaries, the Senior Finance Managers, and a representative of the External Auditor shall normally attend the meetings. However, the Committee shall invite any person to be in attendance to assist it in its deliberations.

Non-member Directors shall not attend unless are specifically invited by the Committee.

The Audit and Risk Management Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting, if necessary. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it has been passed at a meeting of the Audit and Risk Management Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

## **SECRETARY TO AUDIT AND RISK MANAGEMENT COMMITTEE**

The Company Secretaries shall be the Secretary of the Committee and shall be responsible for drawing up the agenda in consultation with the Chairperson. The agenda together with the relevant explanatory papers and documents shall be circulated to the Committee members and any other persons who may be required to attend the meeting within a reasonable period prior to the meeting.

The Secretary shall be responsible for recording attendance of all members and invitees, keeping minutes of the meeting of the Committee, circulating them to Committee members and to the other members of the Board and for ensuring compliance with Bursa Securities' requirements.

The minutes of the Committee meetings shall be properly produced and kept at the registered office of the Company. The minutes shall be opened for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Committee if required.

## **REPORTING PROCEDURES**

The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee for inclusion in the Company's Annual Report.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in breach of the Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

## **DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall be:

- To review any financial information for publication, including quarterly and annual financial statements before submission to the Board. The review shall focus on:
  - any changes in or implementation of major accounting policies and practices;
  - significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions and how these matters are being addressed;
  - the going concern assumption;
  - compliance with accounting standards; and
  - compliance with Listing Requirements of Bursa Securities and legal requirements;
- To review with the External Auditor its audit plan, scope and nature of audit for the Company as well as their evaluation of the system of internal controls;
- To review and discuss the External Auditor's and Internal Auditor's audit reports, areas of concern arising from the audit and any other matters the External and Internal Auditors may wish to discuss in the absence of Management, if necessary;
- To review External Auditor's management letters (if any) and management responses;
- To discuss the contracts and nature of the provision of non-audit services including the fee of such services which entered into by the Company with the External Auditor or its affiliates and procedures that must be followed;
- To assess the suitability, objectivity, independence and performance of External Auditor, including obtain written assurance from the External Auditor confirming they are and have been independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirements, make relevant recommendation for reappointment to the Board unless there is any reason to believe that the External Auditor is not suitable for reappointment;
- In considering the appointment or re-appointment of the External Auditor, the Committee to consider amongst others:-
  - the adequacy of the experience and resources of the External Auditor;
  - the persons assigned to the audit;
  - the External Auditor's audit engagements;
  - the size and complexity of the audit; and
  - the number and experience of supervisory and professional staff assigned to the audit;
- Review (if any) letter of resignation or dismissal of External Auditor;
- To review the internal audit plan, consider the major findings of internal audit, fraud investigations and actions and steps taken by Management in response to audit findings, if any;
- To review the adequacy and relevance of the scope, functions and resources of internal audit and necessary authority to carry out its work effectively and

independently, including any appraisal and assessment on the competency of the internal audit function;

- To take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason(s) for resigning;
- To review any related party transactions and conflict of interest situations that may arise within the Company;
- To review the adequacy of Company's internal control system and risk management framework and assess the resources of the Management and employees involved in the risk management process;
- To review and further monitor principal risks that may affect the Company directly or indirectly and if deemed necessary, review and recommend corrective measures undertaken to remedy failings and/or weaknesses or recommend additional course of actions to mitigate such risks;
- Communicate, monitor and routine update the Board on key risk areas, risk assessment results including Company's risk appetite and whistleblowing report and steps taken to address it;
- Ensure effective implementation of whistleblowing practices and appropriate structures, resources and systems are in place;
- To review whistleblowing report, discuss and recommend appropriate actions; and
- The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder's questions related to the Committee's activities, roles and responsibilities.

## OVERSEEING INTERNAL AUDIT FUNCTION

The Committee shall oversee all internal audit functions and is authorised to commission investigations to be conducted by Internal Auditor as it deems fit. The Head of Internal Audit shall report directly to the Committee and shall have direct access to the Chairman of the Committee.

The Head of Internal Audit should have the relevant qualifications and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively.

All proposals by Management regarding the appointment, transfer or dismissal of the Head of Internal Audit shall seek prior approval of the Committee.

## REVISION OF TERMS OF REFERENCE

Any revision or amendment to this Terms of Reference, as proposed by the Audit and Risk Management Committee or any third party, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form parts of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

This Terms of Reference shall be reviewed annually and as and when necessary.

A copy of Terms of Reference is uploaded onto the Company's website.

Revised on 28 February 2018.