

## APPENDIX F

**TERMS OF REFERENCE OF  
AUDIT AND RISK MANAGEMENT COMMITTEE****1. Composition of members**

- 1.1 The Board shall appoint the Audit and Risk Management Committee (“**ARM Committee**”) members from amongst its Directors based on the recommendation of the Nomination Committee. The ARM Committee must be composed of no less than three (3) members, all of whom must be Non-Executive Independent Directors.
- 1.2 The appointment of an ARM Committee member terminates when the said member ceases to be a Director or as determined by the Board.
- 1.3 All members of the ARM Committee shall be financially literate and at least one (1) member of the ARM Committee must be:
- a) a member of the Malaysian Institute of Accountant (“**MIA**”); or
  - b) if he is not a member of 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 of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967 or
  - c) fulfills such other requirements as prescribed or approved by Bursa Securities.
- 1.4 No alternate Director of the Board shall be appointed as a member of the ARM Committee.
- 1.5 No former key audit partner shall be appointed as a member of the ARM Committee before observing a cooling-off period of at least two (2) years.
- 1.6 The term of office and performance of the ARM Committee and each of its members shall be reviewed by the Board through the Nomination Committee annually to determine whether the ARM Committee and its members have carried out their duties in accordance with their terms of reference.
- 1.7 If a member of the ARM Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph (1) above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

**2. Chairperson**

- 2.1 The Chairperson of the ARM Committee shall be appointed by the Board on the recommendation of the Nomination Committee. The Chairperson shall be a Non-Executive Independent Director and who is not the Chairperson of the Board.

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**APPENDIX F****3. Secretary(ies)**

- 3.1 The Company Secretary(ies) shall be the Secretary(ies) of the ARM Committee and as a reporting procedure, the Minutes of the ARM Committee shall be circulated to all members of the Board.

**4. Meetings**

- 4.1 The ARM Committee shall meet at least four (4) times annually, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairperson may call for additional meetings at any time at the Chairperson's discretion.
- 4.2 Upon the request of the external auditors, the Chairperson of the ARM Committee shall convene a meeting of the ARM Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.
- 4.3 The Company Secretary(ies) shall issue and circulate the Notice of the ARM Committee meetings at least five (5) working days before each meeting to all the ARM Committee members and all those who are required to attend the meetings, unless the Committee waives such requirement.
- 4.4 Attendance at a meeting may be by being present in person or by participating in the meeting via video or telephone conferencing.
- 4.5 The Chairperson of the ARM Committee shall engage on a continuous basis with senior management such as the Chairperson, the Managing Director, the Chief Executive Officer, the Executive Directors, Director Finance, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.
- 4.6 The Managing Director, Chief Executive Officer, Executive Directors and the Director Finance should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the ARM Committee. However, the ARM Committee shall meet with the external auditors without executive Board members or employees present at least twice a year and whenever necessary.
- 4.7 The external auditors have the right to appear and be heard at any meeting of the ARM Committee and shall appear before the ARM Committee when required to do so by the ARM Committee.
- 4.8 The internal auditors shall be in attendance at meetings of the ARM Committee to present and discuss the audit reports of findings and the recommendations relating thereto and to follow up on decisions made at these meetings.
- 4.9 Questions arising at any meeting of the ARM Committee shall be decided by a simple majority vote, each member present having one (1) vote. In the case of equality of votes, the Chairperson of the ARM Committee shall have a second or casting vote (except where two (2) members form the quorum).
- 4.10 A member is required to abstain from deliberation and voting in respect of any matter which may give rise to an actual conflict of interest situation.

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4.11 The ARM Committee may deal with matters by way of a circular resolution in writing, in lieu of convening a formal meeting. The circular resolution shall be as valid and effectual as if it has been passed by a meeting of the ARM Committee duly convened. Approval of the ARM Committee obtained by way of circular resolution must be signed and approved by all its members.

**5. Minutes**

5.1 Minutes of each meeting shall be kept at the registered office of the Company and distributed to each member of the ARM Committee and also to the other members of the Board. The ARM Committee Chairperson shall report on each meeting to the Board.

5.2 The minutes of the ARM Committee meeting shall be signed by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next succeeding meeting.

**6. Quorum**

6.1 The quorum for the ARM Committee meeting shall be two (2) members. In the absence of the Chairperson of the ARM Committee, the other members of the ARM Committee present shall, amongst themselves, elect a Chairperson who must be an Independent Director and not the Chairperson of the Board, to chair the meeting.

**7. Objectives**

7.1 The principal objectives of the ARM Committee are to assist the Board in:

- (a) discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries;
- (b) establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors;
- (c) evaluating the quality of the audits performed by the internal auditors and external auditors;
- (d) providing assurance that the financial information presented by the management is relevant, balanced, reliable and timely;
- (e) overseeing compliance with laws and regulations and observance of a proper code of conduct;
- (f) determining the quality, adequacy and effectiveness of the Group's control environment;
- (g) identifying, evaluating, monitoring and managing the Group's risk management strategy, processes and principal risks to ensure that the Group establishes and maintains a sound system of risk management and internal controls to safeguard shareholders' investment and the Group's assets; and

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- (h) providing assistance to the Board to meet its oversight responsibilities in relation to the Company's sustainability policies and practices.

**8. Authority**

8.1 The ARM Committee 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 and unlimited/unrestricted access to all information, documents and resources which are required to perform its duties as well as to the senior management and employees of the Group. All employees shall be directed to co-operate as requested by members of the ARM Committee.
- (b) obtain external legal or independent professional or other advice, and to invite outsiders with relevant experience to attend, if necessary.
- (c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (d) have authority to instruct the Risk Management Working Group ("RMWG") to perform duties as are necessary to support the ARM Committee in discharging its duties.

8.2 The ARM Committee is not authorised to implement its recommendations on behalf of the Board but shall make recommendations to the Board for its consideration, approval and implementation.

8.3 Where the ARM Committee 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 of Bursa Securities, the ARM Committee shall promptly report such matter to Bursa Securities.

**9. Duties and responsibilities**

9.1 The duties and responsibilities of the ARM Committee are as follows:

**External Audit**

- (a) To nominate and recommend to the Board, the appointment of the external auditors having regard to the adequacy of the experience, resources, audit fee and independence of the external auditors;
- (b) To discuss with the external auditors before the audit commences, the nature, scope and plan of the audit, and ensure co-ordination where more than one (1) audit firm is involved;
- (c) To review with the external auditors their evaluation of the system of internal controls and their audit report;

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- (d) To review the assistance given by the employees of the Group to the external auditors;
- (e) To discuss problems and reservations, if any, arising from the interim and final audits, and any matter which the external auditors wish to discuss in the absence of the management, where necessary;
- (f) To discuss and review the external auditors' management letter and management response, if any;
- (g) To assess and consider the performance, suitability and independence of the external auditors annually. The assessment is to be based on established policies and procedures that consider, among others:
- the competence, audit quality and resource capacity of the external auditors in relation to the audit;
  - the ability of the external auditors to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
  - the nature and extent of the non-audit services provided by the external auditors and appropriateness of the level of fees paid for such services relative to the audit fee; and
  - 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.
- (h) To review any letter of resignation from the external auditors and report the same to the Board.

**Financial Reporting**

- (a) To review in depth the quarterly and year-end financial statements, focusing particularly on:-
- any change in and implementation of major accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other statutory requirements;

to ensure a true and fair view of the financial position and performance of the Group and of the Company is presented after taking into consideration any accounting issue arising in respect of the Group and of the Company's affairs, and recommending the quarterly and year-end financial statements to the Board for its approval;

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- (b) To assess the appropriateness of the management's selection of accounting policies and disclosures in compliance with approved accounting standards;
- (c) To ensure timely submission of financial statements by the management;
- (d) To review significant or unusual transactions and accounting estimates; and
- (e) To review with the Group's counsels, any legal matters that could have a significant impact on the Group's financial statements.

**Internal Audit**

- (a) To do the following, in relation to the internal audit function:-
  - review the adequacy of the scope, functions, resources and competency of the internal audit function, and that it has the necessary authority to carry out its work;
  - ensure the internal audit function is independent of the activities it audits and the internal auditors report directly to the ARM Committee;
  - review the internal audit programme, processes, the results of the internal audit programme and processes, and whether or not appropriate actions are taken on the recommendations of the internal audit function;
  - review the assistance and co-operation given by the employees of the Group to the internal auditors;
  - review any appraisal or assessment of the performance of the internal auditors;
  - approve any appointment or termination of the internal auditors; and
  - take cognizance of the resignation of the internal auditors and its reasons for resigning.
- (b) To discuss and review the major findings of internal investigations and the management's response; and
- (c) 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.

**Risk Management**

- (a) To provide oversight, direction and counsel to the Group's risk management process which includes the following:
  - (i) recommend for the Board's approval, the establishment of the Group's risk management framework, policies, strategies, and any proposed changes thereto arising from any review;

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- (ii) To conduct an annual review and periodic testing of the Group's risk management framework to ascertain its adequacy and effectiveness, and assess the resources and knowledge of the management and employees involved in the risk management process;
  - (iii) To monitor the Group's and Department's level of risk exposures and management of the significant financial and non-financial risks identified;
  - (iv) To 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;
  - (v) To review the Group's risk profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner;
  - (vi) To evaluate new risks identified by the RMWG including the likelihood of the emerging risks happening in the future and consider the need to put in place the appropriate controls;
  - (vii) To review the status of the implementation of management action plans in mitigating significant risks identified;
- (b) To establish and periodically review the Group's risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them;
  - (c) To evaluate the effectiveness of the RMWG's structure, risk management processes and support system to identify, assess, monitor and manage the Group's key risks; and
  - (d) To review the Statement on Risk Management and Internal Control in the Group's annual report to ensure that relevant information as prescribed in the Listing Requirements of Bursa Securities are 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.

**Related Party Transaction**

- (a) To consider any related party transactions and 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 integrity.

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**APPENDIX F****Sustainability**

- (a) To review the strategies, policies, management, initiatives, targets and performance of the Group as a whole, as appropriate, in the following areas to ensure the Company's business is conducted in a responsible manner:
- Health and safety
  - Environment
  - Community Relations
  - Security
  - Governance

**Relationships and Communication with Board, Auditors and Management**

- (a) To report its findings on the financial and management performance, risk assessment results and other material matters to the Board;
- (b) To perform other oversight functions as requested by the Board; and
- (c) To consider and examine such other matters as the ARM Committee considers appropriate.

**10. Revision of the Terms of Reference**

10.1 Any revision or amendment to the Terms of Reference, as proposed by the ARM Committee or the Nomination Committee or any third party, shall be presented to the Board for its approval.

10.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.