

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

**Definition: -**

"AMLR"	:	Bursa Malaysia Securities Berhad's ACE Market Listing Requirements including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time.
"Board" or "Directors"	:	The directors for the time being of the Company or such number of them as have authority to act for the Company.
"Bursa Securities"	:	Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)] for so long as the shares of the Company are listed and quoted on the Bursa Malaysia Securities Berhad and/or such other stock exchange in respect of which the shares of the Company may be listed or quoted.
"ARMC" or "Committee"	:	The Audit and Risk Management Committee of the Company.
"Kawan" or "Company"	:	Kawan Renergy Berhad and by whatever name from time to time called.
"Group"	:	The Company and its subsidiaries.
"MCCG"	:	Malaysian Code on Corporate Governance
"Secretary"	:	Any person or persons jointly appointed to perform the duties of a secretary of the Company including any person(s) appointed temporarily and any representative of the secretary.

**1. Objectives**

- 1.1 The objective of the Committee is to assist the Board of Directors ("Board") to effectively discharge its responsibilities for the following: -
- oversight of the financial reporting process of 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.
  - identification of principal risks and implementation of appropriate systems and risk assessment processes to manage such risks for the Group.
  - oversee and appraise the quality of the audits conducted by both the Company's internal and external auditors, including issues pertaining to the internal control within the Group.
  - 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
  - determine the adequacy of the Group's administrative, operating and accounting controls.

**2. Composition and Appointment**

- 2.1 The Board shall elect the members of the ARMC from amongst themselves, comprising no fewer than three (3) members with a majority 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 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 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 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 has been observed.

#Note: -

*This applies to all former partners of the audit firm and/or the affiliate firm(s) (including those providing advisory services, tax consulting etc).*

### **3. Chairman**

- 3.1 The members of the ARMC shall elect a chairman amongst themselves, who is an Independent Non-Executive Director of the Company.
- 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. Retirement and Resignation**

- 4.1 If a member of the ARMC retires, resigns, dies or for any other reason ceases to be a member or Chairman 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 or Chairman as may be required to make up the minimum number of three (3) members.

### **5. Term of Office**

- 5.1 The term of office and performance of the ARMC would be reviewed by the Nominating Committee annually.

### **6. Secretaries**

- 6.1 The Company Secretary 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.

### **7. Meetings**

- 7.1 The ARMC may meet 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.
- 7.2 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.
- 7.3 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, except where two (2) members form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote.
- 7.4 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.
- 7.5 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.

### **8. Quorum**

- 8.1 The quorum shall consist of two (2) members. for all meetings of the ARMC. 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.
- 8.2 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.

**9. Minutes**

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

**10. Circular Resolution**

- 10.1 A resolution in writing signed by a majority of the ARMC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more ARMC members.
- 10.2 Any such document may be accepted as sufficiently signed by an ARMC member if transmitted to the Company by electronic mail, telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an ARMC member.

**11. Reporting Responsibilities**

- 11.1 The Chairman of the ARMC shall report to the Board on its proceedings after each meeting on all matters with its duties and responsibilities.
- 11.2 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.

**12. Reporting Procedures**

- 12.1 The ARMC shall review the annual report prepared by the management and recommend the annual report to the Board for adoption together with a summary of the activities of the ARMC for inclusion in the Company's annual report.
- 12.2 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 MCCG 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.
- 12.3 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.

**13. Authority**

- 13.1 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 an 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.

13.2 The Chairman of the ARMC should engage on a continuous basis with senior management, such as the Chairman, Managing Director and/or Executive Director, Chief Financial Officer, internal and external auditors to be kept informed of matters affecting the Group.

#### 14. Duties and Responsibilities

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

14.1 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 reports.
- 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
  - 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.

14.2 To approve non-audit service before they are rendered by the external auditors and its affiliates while considering 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 while providing non-audit services. Such a situation may be a breach of the independence requirements on the part of the audit firm.

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.

14.3 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.

14.4 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).

14.5 To review the external auditors' management letter and management's response.

14.6 To provide oversight, direction and counsel to the Group's risk management process which includes the following: -

- The Group's Risk Management Framework based on an internationally recognised risk management framework.
- Annual review on 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.
- 14.7 To review the Group risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them.
- 14.8 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.
- 14.9 To review the effectiveness of the risk management structure, processes, and support system to identify, assess, monitor, and manage the Group's key risk, based on the reports of the internal audit department.
- 14.10 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.
- 14.11 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).
- 14.12 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 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.
- 14.13 To review the adequacy, effectiveness, and integrity of internal control systems, including, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- 14.14 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) Investigate or cause to be investigated any activity within its Terms of Reference; and
  - vi) To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- 14.15 To discuss and review the major findings or any internal investigations and the Management's response.
- 14.16 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.

he 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.

- 14.17 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 measures taken to resolved, eliminate, or mitigate such conflicts.
- 14.18 To ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.
- 14.19 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.
- 14.20 To review the Group's policies and procedures for detecting fraud, based on internal audit reports.
- 14.21 To review the quarterly and year-end financial statements of the Company for Board's approval, 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.
- 14.22 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 MCCG and other applicable rules and regulations.
- 14.23 To verify, if any, 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.
- 14.24 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
- 14.25 Carry out any other function that may be mutually agreed upon by the ARMC and the Board.

## 15. Review and Approval of TOR

This is approved by the Board. 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, MCCG or any other regulatory requirements that may influence the ARMC's responsibilities.