

## **Terms of Reference for Audit Committee**

### **1. Introduction**

The Audit Committee (or the “Committee”) of VSTECS Berhad (“VSTECS” or the “Company”) was formed by the Board of Directors of the Company. Its primary function, in line with the Malaysian Code on Corporate Governance and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies (herein referred to as “The Group”).

In addition, the Committee shall:

- Oversee and appraise the quality of the audits conducted both by the Company’s internal and external auditors;
- Maintain open lines of communication between the Board of Directors, the internal auditors and the 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**

The Audit Committee shall be appointed by the Directors from among their numbers (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- 2.1. the Audit Committee must compose of no fewer than 3 members;
- 2.2. all members of the Audit Committee should be Non-Executive Directors;
- 2.3. a majority of the Audit Committee must be Independent Directors; and
- 2.4. all members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-
  - 2.4.1. must be a member of the Malaysian Institute of Accountants; or
  - 2.4.2. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
    - he must have passed the examinations specified in Part 1 of the First Schedule of the Accountant Act, 1967; or
    - he 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
    - he must be a person who fulfils the requirements as may be prescribed or approved by the Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.
- 2.5. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director. The Chairman of the Audit Committee is not the Chairman of the Board.

Where the Director of the Company is a former partner of the external audit firm of the Company<sup>#</sup>, he/she shall not be appointed by the Board to the Audit Committee until he/she has observed a cooling-off period of at least three (3) years before one is eligible for appointment as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2.1 to 2.4 above, the vacancy must be filled within three (3) months of that event.

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

### **3. Frequency of Meetings**

Meetings shall be held at least four (4) times in each financial year. More meetings may be conducted if the need arises.

The meetings shall have a quorum of two (2) members who are independent directors.

The Committee shall meet with the External Auditors without the presence of executive Board members as and when required.

Other Directors and employees may attend any particular Audit Committee meeting only at the Committee's invitation specific to the relevant meeting.

The Committee shall record its conclusion on issues discussed during meetings and report to the Board at the quarterly Board meetings.

### **4. Secretaries**

The Secretaries of the Company shall be Secretaries (the "Secretaries") of the Committee.

### **5. Circular Resolutions**

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

### **6. Functions**

The functions of the Audit Committee are as follows:-

6.1. Review the following and report the same to the Board of Directors:-

6.1.1. with the External Auditors, the audit plan;

- 6.1.2. with the External Auditors, the evaluation of the system of internal controls;
  - 6.1.3. with the External Auditor, the audit report;
  - 6.1.4. the assistance given by the Company's employees to the external auditors; and
  - 6.1.5. 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 integrity.
- 6.2. To review the annual evaluation on the performance of the External Auditors, including the suitability, objectivity and independence of the External Auditors which takes into consideration the following:-
- (a) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
  - (b) the nature and extent of the non-audit services tendered and the appropriateness of the level of fees; and
  - (c) 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.
- 6.3. To consider the appointment and independence of the External Auditors, the audit fee and any questions of resignation or dismissal, and the letter of resignation from External Auditors, if applicable;
- 6.4. To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 6.5. To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:-
- (a) Management consulting;
  - (b) Strategic decision;
  - (c) Internal Audit; and
  - (d) Policy and standard operating procedures documentation.
- 6.6. To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
- (a) any changes in or implementation of major accounting policies and practices;
  - (b) significant adjustments arising from the audit;
  - (c) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - (d) the going concern assumption;
  - (e) integrity of financial statements; and
  - (f) compliance with accounting standards and other legal requirements.

- 6.7. To discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish to discuss (in the absence of management where necessary);
- 6.8. To review the External Auditor's management letter and management's response;
- 6.9. To receive regular reports from the Enterprise Risk Management ("ERM") Committee, a dedicated Sub-Committee with the primary responsibility of establishing and ensuring the effective functioning of ERM Framework as well as to assist the Committee in the following duties:-
  - (a) to review the adequacy and effectiveness of Group's ERM framework as well as to assess the resources and knowledge of the Management and employees involved in the risk management process;
  - (b) to review the Group's risk profile and risk tolerance;
- 6.10. To assess the effectiveness of internal control framework by conducting the following:-
  - (a) 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; An internal audit function helps the Company to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control, anti-corruption, whistle-blowing and governance processes.
  - (b) Review the internal audit plan and results of the internal audit assessments and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
  - (c) Review any appraisal or assessment of the performance of members of the internal audit function;
  - (d) Maintain an outsourced Internal Audit service provider, to be complemented by an in-house Internal Audit Team, in order to ensure the coverage and effectiveness of internal audit function.
  - (e) Approve any appointments or termination of outsourced Internal Audit service provider, taking into account the recommendation of Management of the Company, meanwhile, to be appraised by the Management on the appointment or termination or resignation the in-house Internal Audit Team personnel;
  - (f) Inform the Board of resignations of internal auditors, whether in-house Internal Audit Team personnel and/or outsourced Internal Audit service provider and provide the resigning internal auditor an opportunity to submit his reasons for resigning.
- 6.11. To consider the major findings of internal investigations and management's response;
- 6.12. To consider any related party transactions that may arise within the Company or Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transaction annually to shareholders via the annual report, and to review conflicts of interest ("COI") that arose, persist or may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of Management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts;

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- 6.13. To assist the Board of Directors in the preparation of an Audit Committee Report at the end of each financial year for inclusion in the Annual Report, comprising the following information:-
- (a) the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
  - (b) the number of Committee meetings held during the financial year and details of attendance of each audit committee member;
  - (c) a summary of the work of the Committee in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities;
  - (d) a summary of the work of the internal audit function; and
  - (e) a summary of any conflict of interest or potential conflict of interest situation reviewed by the Committee pursuant to paragraph 15.12(1)(h) (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.
- 6.14. To ensure the Internal Audit function is independent of the activities it audits and the Internal Auditors reports directly to the Committee. The Internal Auditors will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company;
- 6.15. To report promptly any matters resulting in the breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Securities; and
- 6.16. To consider other topics deemed fit by the Committee within its terms of reference and/or as defined by the Board.

## **7. Rights of the Audit Committee**

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

- 7.1. have authority to investigate any matter within its terms of reference;
- 7.2. have the resources which are required to perform its duties;
- 7.3. have full and unrestricted access to any information pertaining to the Company and Group;
- 7.4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- 7.5. be able to obtain independent professional or other advice, at the expense of the Company; and
- 7.6. be able to convene meetings with external auditors (without the presence of executive Board members) at least twice a year and whenever deemed necessary.

The Chairman of the Audit Committee shall engage on a continuous basis with Senior Management, such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting The Group.

#### **8. Reporting of Breaches to the Exchange**

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

#### **9. Reporting**

The Chairman of the Audit Committee shall report on each meeting to the Board.

#### **10. Review of the Audit Committee**

The Nominating Committee shall review annually the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

#### **11. Review of the Terms of Reference**

The Terms of Reference of Audit Committee are to be regularly reviewed by the Board as and when required.

\* Amended pursuant to the Board of Directors' approval on 13 November 2024.