

AUDIT AND RISK MANAGEMENT COMMITTEE

1. OBJECTIVES

The principal objectives of the Audit and Risk Management Committee (“**ARMC**”), amongst others, are to assist and support the Board:

- a) On matters relating to appointment, removal and assessment of the performance of External Auditors, Internal Auditors and key officers responsible for the risk management functions of the Group;
- b) To review and provide comments to the quarterly financial reports, audited financial statements and the Annual Report for the approval of the Board before authorisation for its release.
- c) In ensuring that there is a reliable and transparent financial reporting process within the Company and the Group to enable financial statements to be prepared timely and accurately, that materially reflects the true and fair view of the financial position, profitability and cash flows of the Company and the Group; and
- d) To oversee the design, development and implementation of the Group’s risk management framework to ensure its effectiveness for identifying and controlling risk-taking activities in line with risk appetite parameters set by the Board and to mitigate regulatory and reputational risks.

2. FUNCTIONS

The functions of the ARMC are to assist and support the Board in the following key areas:

2.1 Internal Audit Matters

The Internal Auditors must be an independent, objective assurance and must have the relevant qualifications and experience. The Internal Audit function shall report directly to the ARMC.

The Internal Auditors shall be responsible for reporting directly and providing assurance to the ARMC that internal control system is operating effectively and that there are no material lapses in the internal control system that could adversely impact the Group’s business, financial position and operations. Towards achieving these objectives, the ARMC shall:

- a) review the adequacy and effectiveness of the Group’s internal control systems and enterprise risk management framework as evaluated, identified and reported by the Management as well as to review the appropriate and timely corrective actions undertaken by Management to ratify the same;
- b) review, assess and report the adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its duties;

- c) review the scope and adequacy of audits and approve the internal audit plan;
- d) discuss and review the results of the Group's internal audit procedures and adequacy of actions taken by the Management based on the internal audit reports. Resolve significant differences on the audit findings and audit process between the Management and the Internal Auditors;
- e) appraise and evaluate the performance and effectiveness of the Internal Audit function and the Head of Internal Audit;
- f) approve the appointment or removal of the Head of the Internal Audit function;
- g) review and approve the Internal Audit Charter; and
- h) review any whistleblowing cases, if any, and Management's responses and resolutions.

2.2 External Audit Matters

The External Auditors must be an independent, objective, and possess relevant capabilities and competencies to effectively discharge its responsibilities.

The External Auditors shall be responsible for reporting directly and providing assurance to the ARMC that financial statements give a true and fair view of the financial position, profitability and cash flows of the Company and the Group. Towards achieving these objectives, the ARMC shall:

- a) review, assess and evaluate the performance, suitability, objectivity and independence of the External Auditors on an annual basis.
- b) consider any matters concerning the appointment and re-appointment, the audit fee and any questions of resignation or dismissal of the External Auditors.
- c) review and approve non-audit services before they are rendered by the External Auditors and its affiliates, and the appropriateness of the level of fees.
- d) discuss and review with the External Auditors at least once in a financial year on:
 - (i) the adequacy and capabilities of the resources to be deployed by the External Auditors to meet the annual reporting timeline;
 - (ii) their audit plan, scope and nature of the audit of the Company and Group;
 - (iii) the key audit matters identified by the External Auditors and their scope to substantiate such matters before commencement of their audit;

- (iv) their evaluation and findings on the adequacy and effectiveness of the system of internal controls and other related functions;
 - (v) their findings in the course of their audit and audit reports;
 - (vi) the management letter and Management's response with regard to problems and reservations arising from their audits; and
 - (vii) any other matters that the External Auditors may wish to discuss (in the absence of Management where necessary).
- e) review any letter of resignation from the External Auditors of the Company and ascertain the reason(s) for their resignation.
 - f) review whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment.
 - g) recommend the nomination of a person or persons to act as the External Auditors.
 - h) carry out such other functions or assignments as may be delegated by the Board from time to time.

2.3 Risk Management Matters

The ARMC shall assist and support the Board on the Company's overall risk strategies and overseeing the implementation of the same. Towards achieving these objectives, the ARMC shall:

- a) review the overall risk strategies as proposed by the Management and recommend to the Board for approval;
- b) ensure that the risk management framework adopted by the Company is based on an internationally recognised risk management framework;
- c) review the adequacy and effectiveness of the risk management framework instituted by the Company which shall include corporate liability provisions under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the appropriate anti-bribery and anti-corruption mitigating measures, corruption risk management as well as the Group's Anti-Bribery & Anti-Corruption policy and procedures;
- d) provide oversight and direction to the risk management processes, specifically to:
 - (i) ensure that appropriate risk management policies, guidelines and processes are implemented;

- (ii) consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks; and
 - (iii) evaluate the risk profile and risk tolerance of the Group periodically to ensure that it continue to be relevant and reflects any changes in the Group's capacity to assume risk, and market and other environmental conditions.
- e) review Management's implementation of the risk strategies, adherence to risk tolerance limits are within the parameters set for specific types of risks and the implementation of risk management policies, processes, controls within the Group in managing key risks; and
- f) ensure that risk management tools and methodologies, infrastructure, resources and systems are in place.

2.4 Financial Reporting Matters

The ARMC shall assist and support the Board to ensure that the financial statements to be disclosed to the shareholders and other stakeholders are prepared on bases, estimates and assumptions that are consistently applied and in compliance with, *inter-alia*, the provisions of the Companies Act 2016, financial reporting standards and the ACE Market Listing Requirements ("**Listing Requirements**").

The key functions of the ARMC on financial reporting matters are:

- a) to review the quarterly and year-end financial statements of the Company and the Group, before the approval by the Board, focusing particularly on:
 - (i) disclosures are in accordance with the MFRS 134 (Interim Financial Reporting and applicable provisions of the Listing Requirements);
 - (ii) any changes in or implementation of major accounting policy changes and its impact adequately disclosed in the financial statements;
 - (iii) significant matters highlighted including financial reporting issues, significant judgement made by management, significant unusual events or transactions, and how these matters are addressed;
 - (iv) compliance with applicable accounting standards issued by the Malaysian Accounting Standards Board adopted by the Company and other legal requirements;
 - (v) the going concern assumption adopted in the preparation of the quarterly and annual financial statements; and

- (vi) disclosures made in the notes to the financial statements (*including related party transactions*) are adequate to explain the underlying natures of the disclosures, comprehensible by a non-financial literate reader with ease.
- b) to establish policies and procedures to manage related party transactions and conflict of interest situations.
- c) to review any recurrent related party transactions of a revenue or trading nature and ensure that they are conducted on an arm's length basis and appropriately and accurately disclosed in the financial statements.
- d) to assess any conflict of interest situations that may arise within the Company or Group including any transactions, procedures or course of conduct that raises to questions of Management's integrity.
- e) to review any related party transaction to be undertaken by the Group with related party to ensure that the contemplated transaction is fair and reasonable and not to the detriment of the non-interested shareholders. The ARMC shall be guided by the Related Party Transactions – Policy and Procedures when carrying out its duties.

2.5 Effectiveness of Policies and Controls established for Anti-Money Laundering

The Board recognises the adverse implications of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, ("**AMLA**") on the Group for not having adequate measures to mitigate regulatory and reputational risks. The ARMC shall assist the Board in:

- a) ensuring that independent audits are conducted to check and test the adequacies and effectiveness of the policies, procedures and controls on the Group's AMLA measures;
- b) reviewing internal controls issues identified by the Internal Auditors and regulatory authorities and evaluating the adequacy and effectiveness of the internal controls and processes for the Group's AMLA measures;
- c) ensure that AMLA measures are in compliance with relevant regulations and guidelines and are relevant and appropriate in the circumstances; and
- d) evaluating the reliability, integrity and timeliness of the internal and regulatory reporting and management information pertaining to AMLA matters.

The Internal Auditors shall include in its audit plan to evaluate the adequacies and effectiveness of AMLA policies and procedures implemented by the Group.

It is incumbent that the Management shall keep the Board and the ARMC timely informed of any new guidelines on AMLA issued by the relevant authorities and additional or amended AMLA measures to address the material compliance issues required by the Company.

2.6 Inspections Reports and Regulatory Compliance

The ARMC shall assist the Board to:

- a) ensure proper implementation and recommend appropriate remedial and corrective measures in respect of the findings arising from inspection conducted by the relevant regulatory authorities;
- b) ensure timely and effective communication/reporting to the regulators on matters affecting the safety and soundness of the regulated subsidiary of the Group upon becoming aware of the same; and
- c) meet the regulators on their inspection reports, if required and report the outcome of the meeting with the regulators at the next Board meeting.

2.7 Effectiveness of Policy established relating to Anti-Bribery and Anti-Corruption

The Company is committed to conducting its business professionally, ethically and with integrity and in compliance with all applicable laws and regulations in the countries where it does business. The laws include the Malaysian Anti-Corruption Commission Act 2009 (revised 2018) which prohibit acts of bribery and corruption, and mandate that companies establish adequate procedures to prevent bribery and corruption.

The Board has a zero-tolerance position for bribery and corruption and is committed to implementing and enforcing systems that ensure that bribery and corruption is prevented. The Anti-Bribery Anti-Corruption Policy which shall be made available in the Company's website.

The ARMC shall assist the Board in:

- a) ensuring that independent audits are conducted to check and test the effectiveness of the policies, procedures and controls on the anti-bribery and anti-corruption measures;
- b) identifying, assessing, mitigate and monitor potential corruption risks that the Group may be exposed on a periodic basis;
- c) reviewing internal controls issues identified by the Internal Auditors and evaluating the adequacy and effectiveness of the corrective actions to address the issues identified;
- d) ensure that anti-bribery and anti-corruption measures are adequate to mitigate liabilities and reputational issues on non-compliances with the laws relating to anti-bribery and anti-corruption; and
- e) evaluating the reliability, integrity and timeliness of the internal and external reporting. For reporting, the Company shall adopt the procedures outlined in the Whistleblowing Policy and Procedures.

It is incumbent that the Management shall keep the ARMC and the Board timely informed of any new guidelines on anti-bribery and anti-corruption issued by the relevant authorities and additional or amended measures to address the material compliance issues required by the Company.

2.8 Whistleblowing

- a) The Board recognises that sound reputation and integrity in our business conduct are essential for the Company's success. A policy should be in place to provide an avenue for whistleblower(s) to disclose or report any area of improper conduct that could take place within the Group and third parties (e.g. suppliers, contractor and consultants).
- b) The ARMC shall assist and support the Board to review the Whistleblowing Policy and Procedures from time to time to ensure its relevance and effectiveness.
- c) Any disclosure or report made for alleged improper conduct shall be monitored by the ARMC and keep the Board informed at its meeting on the nature, investigation and its outcome of disclosure or report made.
- d) The Company's Whistleblowing Policy and Procedures are to be made available through the Company's website.

2.9 Other Functions

The ARMC shall assist the Board to:

- a) review the Directors' Report and ensure its accuracy and completeness and matters disclosed therein are in compliance with the Companies Act 2016; and
- b) review the ARMC Report, Statement of Risk Management and Internal Controls, Corporate Governance Overview Statement, Sustainability Statement and Corporate Governance Report in the spirit of the Malaysian Code on Corporate Governance to promote greater internalisation of corporate governance culture and greater transparency before submitting for the Board's approval and inclusion in the Annual Report.

3. COMPOSITION OF THE ARMC

- a) Members of the ARMC shall be appointed by the Board from among its members based on the recommendations of the Nomination Committee ("**NC**"). Members of the ARMC shall hold office only so long as they serve as Directors of the Company.
- b) The ARMC shall comprise not less than three (3) members, whereby all members must be Non-Executive Directors and a majority comprising Independent Directors.

- c) At least one (1) member of the ARMC:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' 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 accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("**Bursa Securities**") or other relevant authorities from time to time.
- d) All members of the ARMC should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.
- e) At least a 3-year cooling-off period must be observed before a former key audit partner of the Company's external audit firm and/or affiliate firm (including those providing advisory services, tax consulting, etc) may be considered for appointment as a member of the ARMC.
- f) Alternate Director shall not be appointed as a member of the ARMC but can attend its meeting on invitation basis.
- g) In the event of any vacancy in an ARMC's member resulting in the non-compliance with paragraph 3(b) above, the Board shall fill the vacancy within three (3) months. Therefore, a member who wishes to retire or resign should provide written notice of three (3) months to the Group so that a replacement may be appointed before he leaves.
- h) The NC shall review the term of office and performance of the ARMC and each of its members annually to determine whether the ARMC and its members have carried out their duties in accordance with this Terms of Reference.

4. MEETINGS

4.1 Chairman of the ARMC

- a) The ARMC shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director.
- b) The Chairman of the ARMC shall not be the Chairman of the Board or vice versa.

- c) In the event the elected Chairman is not able to attend a meeting, the remaining members present shall elect one of themselves as Chairman for the meeting. The elected Chairman shall be an Independent Director.

4.2 Frequency of Meetings

- a) The ARMC shall meet at least once every quarter. However, additional meetings may be called at any time at the Chairman's discretion or at the request of any members or the Head of the Internal Audit function as and when necessary.
- b) In the event of urgent issues requiring the ARMC's decision arise between meetings, such issues may be resolved through written resolutions of the ARMC. Such written resolution in writing shall be valid and effectual if it is signed or approved by letter, facsimile or any electronic means by a majority member of the ARMC.
- c) Upon the request of the External Auditors, the Chairman must convene a meeting of the ARMC to consider any matter the External Auditors believes should be brought to the attention of the Board or shareholders or regulators.
- d) Other Board members, senior management, Internal Auditors and External Auditors may be invited to attend meetings to assist in the deliberations.
- e) Notice and agenda shall be given to the members for all meetings at least five (5) business days prior to the time appointed for the meeting. The Secretary shall prepare the agenda and notice for clearance by the Chairman before circulation.
- f) Any ARMC member who has an interest (directly or indirectly) in any matters, must declare his/her interest in the matters and abstain from participating in the decision making on the said matters.

4.3 Quorum

- a) The minimum quorum for the meeting is two (2) members of the ARMC, a majority of members present must be Independent and Non-Executive Directors.
- b) No business shall be transacted unless a quorum is present either in person or by video or telephone conferencing.
- c) The decision of the ARMC shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote. However, at meeting 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) Directors are competent to vote on the question at issue, the Chairman shall not have a casting vote.

4.4 Secretary

- a) The Company Secretary or another person approved by the Board shall be the Secretary of the ARMC.
- b) The Secretary shall be responsible, with the concurrence of the Chairman of the ARMC, for drawing up and circulating the agenda and the notice of meetings and draft minutes together with the supporting explanatory documentation to all members of the ARMC prior to the each meeting and shall be entrusted to record all proceedings and minutes of all meetings of the ARMC.
- c) The Secretary shall maintain a file for the agenda and minutes (after being signed by the Chairman as a correct of the proceedings).

4.5 Minutes of the ARMC's Meetings

- a) Every meeting of the ARMC must be recorded either by the Secretary or any other person approved by the Committee and such minutes must be confirmed by the Committee at the next succeeding meeting.
- b) Minutes of each meeting signed by the Chairman of that meeting or by the Chairman of the next succeeding meeting shall be evidence of the proceedings that the meeting was duly convened and held.

5. RIGHTS OF THE ARMC

The ARMC is authorised by the Board to investigate any activity within its term of reference at the cost of the Company. The Board shall accord the ARMC with the relevant resources to discharge its duties. The ARMC shall have the following rights:-

- a) full and unrestricted access to any information pertaining to the Group and/or its subsidiaries, properties and officers in carrying out its duties and responsibilities;
- b) communicate directly with the External Auditors and Internal Auditors and all employees of the Group;
- c) seek and obtain independent professional advice (such as legal counsel) and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary; and
- d) convene meetings with the External Auditors and Internal Auditors or both excluding the attendance of other Directors, Management and employees of the Company, whenever deemed necessary.

6. COMMUNICATION TO THE BOARD

- a) The minutes of each ARMC meeting shall be tabled to the Board for notation.
- b) The ARMC may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.
- c) Where the ARMC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements or any other rules and regulations, guidelines of relevant authorities, the ARMC must promptly report such matter to Bursa Securities and/or other relevant authorities.

7. REVIEW OF THE ARMC

The term of office and performance of the ARMC and each of its members shall be reviewed annually by the Board to assess whether the ARMC and its members have carried out their duties in accordance with their Terms of Reference. A formal evaluation of the performance of all ARMC members should be undertaken by the NC.

The Terms of Reference may from time to time be amended as required, subject to the approval of the Board.