



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

Date	Description
12/2015	Version 1.0 adopted
07/2016	Version 2.0 revised
05/2018	Version 3.0 revised



## CONTENTS

---

1.0	Introduction.....	1
2.0	Composition of the Committee.....	1
3.0	Authority.....	3
4.0	Functions.....	4
5.0	Meetings.....	7
6.0	Review of the Terms of Reference .....	8



## **1.0 Introduction**

Given the importance of an Audit and Risk Management Committee (“the Committee”) to the governance structure of the Company, Paragraph 15.09 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) has mandated the establishment of the Committee. The Committee is guided by the terms of reference as set out below and it shall be assessed and reviewed at least once annually and updated as necessary, especially when there are changes made to the Listing Requirements and changes to the direction or strategies of the Company that may affect the role of the Committee.

## **2.0 Composition of the Committee**

- 2.1. The Committee shall be appointed by the Board from among its members and shall consist of not less than three (3) members.
- 2.2. All members of the Committee must be Non-Executive Directors with a majority of them being independent.
- 2.3. At least one (1) member of the Committee:-
  - (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
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or



- (bb) he must be a member of one (1) 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.
- 2.4. No Alternate Director shall be appointed as a member of the Committee.
- 2.5. The Committee will ensure that no former key audit partner will be appointed as a member of the Committee until the person has observed a cooling-off period of not less than two (2) years before his/her appointment as member of the Committee.
- 2.6. Chairman of the Committee shall be elected from among the Committee members of Independent Non-Executive Director.
- 2.7. The Company Secretary shall be the Secretary of the Committee.
- 2.8. The Nomination Committee must review the term of office and performance of the Committee and each of its members annually to determine whether such Committee and members have carried out their duties in accordance with their terms of reference. Notwithstanding the foregoing, in the event the member ceases to be a Non-Executive Director in accordance with paragraph 2.2 above, the membership of that particular Committee member shall automatically be terminated.
- 2.9. In the event that a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors (“the Board”) shall, within three (3) months of that event, appoint such number of new

members as may be required to make up the minimum number of three (3) members.

### **3.0 Authority**

The Committee is authorised by the Board and at the expense of the Company to:-

- (i) investigate any matter within its terms of reference;
- (ii) secure resources in order to perform its duties;
- (iii) have full and unrestricted access to any information pertaining to the Company and the Group;
- (iv) have direct communication channels with the external auditors and internal auditors;
- (v) obtain external legal or other independent professional advice as necessary;
- (vi) convene meetings with the external auditors, the internal auditors or both, without the attendance of other Directors and employees of the Group, whenever deemed necessary;
- (vii) conduct an investigation where there is possible fraud, illegal acts or suspected violation of the Code of Ethics involving members of the Board and Senior Management with the assistance from internal audit department; and

- (viii) report any matter that is not satisfactory resolved resulting in a breach of the Listing Requirements to Bursa Securities

#### **4.0 Functions**

The Committee performs, among others, the following functions:-

##### **4.1. Financial Reporting Review**

To review the unaudited quarterly results and the audited year-end financial statements of the Group with the Management and external auditors prior to the approval by the Board, focusing particularly on:

- (a) Changes in or implementation of major accounting policies and practices;
- (b) Significant adjustments arising from the audit including significant and unusual events or transactions, and how these matters are addressed and resolved;
- (c) The going concern assumption; and
- (d) Compliance with accounting standards and other regulatory requirements

##### **4.2. External Audit**

- (a) To consider the nomination and make recommendations to the Board on the appointment, re-appointment, resignation and dismissal of the external auditors;

- (b) To approve the terms of engagement and audit fee to be paid to the external auditors in respect of audit services provided;
- (c) To assess the qualification, expertise and resources, effectiveness and independence of the external auditors; and
- (d) To discuss with the external auditors, prior to the commencement of audit, the nature and scope of the audit, their audit plan and coordination of audit where more than one (1) audit firm is involved

#### **4.3. Internal Audit**

- (a) To review 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 work;
- (b) To review the internal audit plans, programmes, activities and staffing needs;
- (c) To review the major findings of internal audit investigation and Management's responses and ensure appropriate actions are taken on the recommendations of the internal audit function;
- (d) To approve any appointment or termination of senior staff members of the internal audit function; and
- (e) To review the regular internal reports to Management prepared by the internal audit.

#### **4.4. Related Party Transactions**

- (a) To ensure that Management establishes a comprehensive framework to identify, evaluate, approve, report and monitor any related party transactions and conflict of interest situations that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of Management integrity, and that the Directors must report such transactions annually to the shareholders in the annual report.

#### **4.5. Risk Management and Internal Control**

- (a) To review the effectiveness of the Group's overall enterprise risk management framework, strategies, policies and systems to identify, assess and manage risks; and
- (b) To assess the adequacy and effectiveness of the system of risk management and internal control based on the reports it received from independent reviews

#### **4.6. Whistleblowing Mechanism**

- (a) The Company has in place a mechanism to allow its employees and stakeholders to raise genuine concerns about possible wrongdoing in financial reporting, accounting, auditing or other related matters to the Chairman of the Committee. The Committee shall ensure that the mechanism provides adequate safeguards against victimisation of persons using such mechanism to report wrongdoing or improper conduct to the Chairman of the Committee.



#### **4.7. Share Issuance Scheme (“Scheme”)**

- (a) To verify the allocation of shares to the eligible employees under the Scheme and ensure the same is disclosed in the Company’s annual report at the end of each financial year, if any.

### **5.0 Meetings**

- 5.1. The Committee shall meet at least four (4) times in a financial year. The Chairman shall also 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.
- 5.2. The Independent Non-Executive Directors, the Group Chief Executive Officer, the Group Accountant, the Head of Internal Audit, the Head of Risk Management and representative of the external auditors shall normally be invited to attend the meetings. However, the Committee may invite any other person to be in attendance to assist in resolving and clarifying matters raised, where necessary.
- 5.3. The presence of two (2) Committee members shall be a quorum.
- 5.4. The Company Secretary shall be the Secretary of the meeting. Minutes of each meeting shall be distributed to each member of the Committee and also to the other members of the Board. The Head of Internal Audit and relevant members of Senior Management shall also be provided with the minutes for follow-up actions.
- 5.5. Notice of meeting confirming the venue, time and date will be circulated at least one (1) week prior to the scheduled meeting.



5.6. The Committee shall meet with the external auditors without the presence of any Executive Directors at least once a year, if deemed necessary.

## **6.0 Review of the Terms of Reference**

6.1. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements or any other regulatory requirements. It should also be reviewed and updated to reflect the directions or strategies adopted by the Group.