

**AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”) OF THE BOARD  
TERMS OF REFERENCE**

**1. COMPOSITION OF MEMBERS**

The Committee must be appointed from amongst its Directors which fulfils the following requirements:

- i) the Audit and Risk Management Committee must be composed of not less than 3 members;
- ii) a majority of the members must be independent directors and all members must be non-executive; and
- iii) at least one member of the Audit and Risk Management Committee,
  - a) must be a member of the Malaysian Institute of Accountants (MIA); or
  - b) if he is not a member of the MIA, he must have at least 3 years' working experience and:
    - he must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.

The Chairman shall be an Independent, Non-Executive Director. No alternate director is appointed as a member of the Audit and Risk Management Committee.

In the event of any vacancy in the Audit and Risk Management Committee resulting in the non-compliance of the above requirements, the Company must fill the vacancy within 3 months.

The Company Secretary shall act as Secretary to the Audit and Risk Management Committee.

**2. SCOPE**

The Committee must be appointed from amongst its Directors which fulfils the following requirements:

- 2.1 The Audit and Risk Management Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to cooperate as requested by members of the Committee.
- 2.2 The Audit and Risk Management Committee shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.
- 2.3 The Audit and Risk Management Committee shall provide assistance to the Board in fulfilling its fiduciary responsibilities particularly relating to business ethics, policies, financial management control.
- 2.4 The Audit and Risk Management Committee shall maintain a direct line of communication between Board, External Auditors, Internal Auditors and Management through regularly scheduled meetings.

- 2.5 The Audit and Risk Management Committee shall provide greater emphasis on the audit functions by increasing the objectivity and independence of External and Internal Auditors and providing a forum for discussion that is independent of the Management.
- 2.6 The Audit and Risk Management Committee may invite any person to the meeting to assist the Audit and Risk Management Committee in decision-making process and that the Audit and Risk Management Committee may meet exclusively as and when necessary.
- 2.7 Serious allegations that have financial implications against any employee of the company shall be referred to the Audit and Risk Management Committee for investigation to be conducted.

### **3. AUTHORITY**

The Audit and Risk Management Committee shall have the following authority as empowered by the Board of Directors:

- i) Have authority to investigate any matter within its terms of reference;
- ii) Have the resources which are required to perform its duties;
- iii) Have full, free and unrestricted access to any information, records, properties and personnel of the Company and any other subsidiaries (if any) or sister companies;
- iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- v) Be able to obtain independent professional or other advice; and
- vi) Be able to convene meetings with the external auditors and internal auditors together with other independent non-executive members of the Board, excluding the attendance of any executive directors, at least once a year or whenever deemed necessary.

### **4. MEETINGS**

- 4.1 The Audit and Risk Management Committee shall meet at least 4 times in a year to discuss any matters raised by the Auditors in discharging their functions. The quorum for a meeting of the Audit and Risk Management Committee shall be 2.
- 4.2 At least once a year, the whole Board shall meet with the external auditors without the presence of any executive Board member/Chief Executive Officer or Senior Management.
- 4.3 The Secretary is responsible for the co-ordination of administrative details including calling the meetings, voting and keeping of minutes.
- 4.4 In addition to the Audit and Risk Management Committee members, the Chief Financial Officer and the Head, Corporate Governance and Risk Management (once appointed) are invited for attendance at each meeting. The Head of companies/departments and their management team will attend when audit reports on their companies/departments are tabled for discussion. The presence of External Auditors will be requested when required.
- 4.5 The Chairman shall upon the request of the External Auditor, convene a meeting of the Audit and Risk Management Committee to consider any matter the External Auditor believes should be brought to the attention of the directors or shareholders.

- 4.6 The auditors have the right to appear and be heard at any meeting of the Audit and Risk Management Committee and shall appear before the Audit and Risk Management Committee when required to do so by the Audit and Risk Management Committee.

## **5. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Audit and Risk Management Committee with the following groups will be as follows:

### **Board**

- i) To obtain satisfactory response from Management on reports issued by internal and external auditors and report to the Board:
  - a) Significant findings identified and the impact of the audit findings on the operations;
  - b) Deliberations and decisions made at the Audit and Risk Management Committee's level with focus given to significant issues and resolutions resolved by the Audit and Risk Management Committee, on regular basis; and
  - c) A summary of material concerns and weaknesses in the control environment noted during the year and the corresponding measures taken to address the issues.
- ii) To oversee the function of the Group Risk Management Committee (once established) and report to the Board significant changes in the business and the external environment, which affect key risks;
- iii) Where review of audit reports of subsidiaries and any related corporation also falls under the jurisdiction of the Audit and Risk Management Committee, all the above mentioned functions shall also be performed by the Audit and Risk Management Committee in co-ordination with the Board of Directors of the subsidiaries and related corporation;
- iv) To review arrangements established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulation related to the Company's operations; and
- v) To consider other areas as defined by the Board.

### **External Auditors**

- i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- iii) To discuss with the external auditor, his audit report and his evaluation of the system of the internal controls; and
- iv) To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - a) any changes in accounting policies and practices;
  - b) significant adjustments arising from the audit;
  - c) the going concern assumption; and
  - d) compliance with accounting standards and other legal requirements.

**Internal Auditors**

- i) To discuss problems and reservations arising from the external audits, and any matter the auditor may wish to discuss;
- ii) To oversee the internal audit function by:
  - a) Reviewing the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - b) Reviewing the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and ensure that appropriate action is taken on the recommendations of the internal audit function;
  - c) Reviewing any appraisal or assessment of the performance of members of the internal audit function;
  - d) Determining and recommending to the Board the remit of the internal audit function, including the remuneration of the Head, Corporate Governance and Risk Management (once appointed);
  - e) Approving any appointment or termination of senior staff members of the internal audit function;
  - f) Informing itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - g) Ensuring on an on-going basis that Internal Audit has adequate and competent resources;
  - h) Monitoring closely any significant disagreement between Internal Audit and Management irrespective whether they have been resolved; and
  - i) To consider the major findings of internal investigations and Management's response.

**Related Party Transaction**

To consider any related party transactions that may arise within the Company including any transaction, procedure or course of conduct that raises questions of Management's integrity.

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