



AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE

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1.0 COMPOSITION

The Audit and Risk Committee (“ARC”) shall be appointed by the Board from amongst its directors, which fulfils the following requirements:

- 1.1** The ARC must be composed of no fewer than three (3) members.
- 1.2** All ARC members must be Non-Executive Directors, with the majority being Independent Directors.
- 1.3** The members of the ARC shall elect a Chairman from among their members who shall be an Independent Non-Executive Director.
- 1.4** No alternate director is appointed as a member of the ARC.
- 1.5** At least one (1) member of the ARC:
 - (a) Must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) If he or she is not a member of the MIA, he or she must have at least 3 years’ working experience, and -
 - he or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he or she must be a member of one of the Associations of Accountant specified in Part II of the First Schedule of the Accountants Act 1967; or
 - fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 1.6** Where the members for any reason are reduced to less than three (3), the Board shall, within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.7** There should be a cooling-off period of at least three (3) years before any former key audit partner can be considered or appointed to become a member of the ARC.
- 1.8** The term of office and performance of the ARC and each of its members must be reviewed by the Board at least once every three (3) years.

2.0 ROLE

- 2.1** The ARC assists the Board in fulfilling its responsibilities to inculcate good governance, sound risk management and sustainability practices by providing oversight on:
 - (a) reviews the financial reporting process, the integrity of the Company’s financial statements, the external and internal audit process;
 - (b) the identification and management of risks, ensuring oversight by the Board with regards to the risk management framework, risk appetite and risk tolerance levels of the Company by monitoring and advising on the management of all material business risks, including but not limited to strategic, operational, reputational, ethical, environmental, legislative, regulatory and market-related risks;
 - (c) the Company’s practices and policies on corporate responsibility and sustainability; and
 - (d) any other matters as may be delegated by the Board to the ARC from time to time.

2.2 The ARC shall have oversight of the Risk Steering Committee and the Group Sustainability Committee.

2.3 The Risk Steering Committee will assist the ARC in fulfilling its responsibilities for review and oversight of the Group's risk management and internal control as well as corporate responsibility and sustainability programs.

2.4 The ARC shall carry out the following duties set out below:

2.4.1 Financial Reporting

(a) review the published quarterly and annual financial statements and the management discussion and analysis disclosures, announcements and any other formal announcements relating to financial performance prior to their approval by the Board, focusing particularly on:

- (i) the integrity of the Company's financial statements, including the strategic report and corporate governance statements relating to audit and risk management;
- (ii) any changes in accounting policies and practices and to periodically review the appropriateness of the critical accounting policies and the methods of applying those principles and policies;
- (iii) review significant financial and reporting issues, including related party transactions and conflicts of interests;
- (iv) major judgmental areas; and
- (v) compliance with accepted accounting standards and other legal requirements.

2.4.2 External Auditors

(a) oversee the selection and propose the appointment, re-appointment and removal of the external auditors to the Company's shareholders and obtain their consent to the Board approving the remuneration of the external auditors;

(b) be responsible for the remuneration and oversight of the work of the external auditors performed for the purpose of the external audit. Such oversight shall include the:

- selection procedure for the appointment of audit firms;
- engagement letter;
- scope of the external audit and external audit plans;
- external audit fee;
- audit representation letters from management to the external auditors; and
- resolution of any disagreements between management and the external auditors regarding financial reporting.

(c) pre-approve all audit and non-audit services (other than those expressly prohibited by applicable laws, regulations or listing requirements) undertaken by the Company's external auditors;

- (d) assess annually the audit partner and experience in audit, independence and objectivity of the external auditors and the effectiveness of the external audit process. This review shall include all aspects of the audit services provided by the external auditors and take into consideration relevant professional and regulatory requirements;
- (e) in the event that the Company's external auditor resigns, conduct an investigation to understand the reasons for their resignation and consider whether any action is required;
- (f) recommend to the Board, and keep under review, guidelines for the hiring of employees of the external auditor who was formerly engaged on the external audit; and
- (g) meet privately, at least once annually, with the external auditors.

2.4.3 Internal Audit

- (a) recommend to Board the appointment and/or removal of Head of Group Internal Audit Department ("GIA"), assess GIA's performance on an annual basis and to be satisfied that the internal audit function is independent, adequately resourced and is operating effectively;
- (b) review the Internal Audit Charter and recommend amendments where appropriate;
- (c) in consultation with the Group Managing Director, review and approve the budget (and if applicable remuneration) for the provision of the internal audit function and having regard to the adequacy of the internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- (d) review and approve the internal audit plan and monitor its implementation;
- (e) review internal audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner;
- (f) meet privately, at least once annually, with the Head of GIA;
- (g) where necessary, appoint an external assurance and consulting service providers to carry out and/or undertake a limited scope audit/functions in specific areas where GIA does not possess the necessary expertise in those areas; and
- (h) external assessment on GIA shall be conducted by a qualified independent assessor, whenever the ARC deemed necessary.

2.4.4 Internal Control and Risk Management

- (a) oversee, agree and recommend for Board approval a risk management framework consistent with the agreed Company risk appetite, profile parameters;
- (b) oversee the establishment of processes and procedures for the monitoring and evaluation of the Company's risk management and internal control systems;
- (c) assess the adequacy and effectiveness of the Group's financial and non-financial internal control and risk management activities in relation to the organisation's risk appetite;
- (d) receive and discuss periodic enterprise risk management reports or any other matters which the Risk Steering Committee refers to the ARC; and

- (e) to consider major investigation findings on risk management and/or internal control matters as delegated by the Board or on its own initiative and management's response to these findings.

2.4.5 Compliance

- (a) reviewing and assessing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines;
- (b) reviewing and assessing the effectiveness of internal processes for ensuring, compliance with the Group's policies and procedures and to oversee the process which ensures that any material breaches of these processes are escalated to the Board;
- (c) reviewing compliance reports prepared by management in relation to the Group's compliance with statutory, legal and other regulatory requirements; and identifying and considering any matters that may have a material impact on the Group's activities, and report on those matters to the Board; and
- (d) obtaining regular updates from management, as appropriate, regarding any material litigation and/or any material risks relating to Group's compliance with statutory requirements.

2.4.6 Anti-Bribery and Whistle-blowing

- (a) oversee the maintenance and adherence to the Group's Anti-Bribery Policy, including its implementation and performance;
- (b) review the implementation and effectiveness of the Group's anti-bribery and anti-corruption controls addressing the Group's key bribery risks. This includes requiring the Risk Steering Committee to regularly update the ARC on areas where suspected bribery attempts commonly occur in, and receiving summary of payments made by the Group in relation to the key bribery risk areas, as reviewed by the Chief Financial Officer;
- (c) ensure GIA includes in its audit plan the review of the Group's anti-bribery framework and effectiveness of anti-bribery controls;
- (d) review how whistle-blowing cases are being handled and investigated including reviewing management reports on allegations/investigations; and
- (e) in cases where the preliminary findings disclose a possible criminal offence, the ARC shall decide if the matter should be referred to the relevant authorities such as the police or the Malaysian Anti-Corruption Commission. In such circumstances, the ARC shall first report the findings together with the recommended course of action to the Board for their attention and approval.

2.4.7 Sustainability

- (a) review, oversee and support the management's corporate social responsibility and sustainability, environment, social and governance ("ESG") initiatives and their performance to ensure a coherent and consistent approach is adopted across the Group;
- (b) receive and discuss periodic sustainability or ESG reports or any other matters which the Group Sustainability Committee refers to the ARC; and
- (c) review and recommend for approval the external statements and disclosures made by the Company in relation to sustainability or ESG, including the relevant sections of the Company's Annual Report.

2.5 With the Board's approval, the ARC shall be authorized to delegate certain functions to the Risk Steering Committee and/or the Group Sustainability Committee, as the case may be, to support and consistent with the ARC's oversight responsibilities. The Risk Steering Committee and the Group Sustainability Committee shall act within their respective terms of reference and shall report all of their recommendations to the ARC for full deliberation and discussion. The Risk Steering Committee and the Group Sustainability Committee are not authorized to implement its recommendations on behalf of the ARC but shall make the relevant recommendations to the ARC for its consideration and implementation.

2.6 The ARC shall review the allocation of Employee Share Scheme ("ESS") to ensure that it is consistent with the approved matrix set out in the ESS Bye-Laws and confirms that allocation is in compliance with the criteria of the said ESS Bye-Laws.

3.0 RIGHTS AND AUTHORITY

When necessary and reasonable for the performance of its duties, the ARC shall:

- 3.1** have authority to perform the activities required to discharge its responsibilities and to investigate any matter within its terms of reference.
- 3.2** have the resources which are required to perform its duties.
- 3.3** have full and unrestricted access to any information pertaining to the Group relevant for its purpose.
- 3.4** have direct communication channels and convene meetings with the external auditors and GIA including in private meetings without management present whenever deemed necessary.
- 3.5** be able to obtain legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise as deemed necessary.

4.0 MEETINGS

- 4.1** Other directors, employees and external auditors may be invited to attend any particular meeting only at the ARC's invitation, specific to the relevant meeting.
- 4.2** The quorum of each meeting shall be at least two (2) members. In order to form a quorum in respect of a meeting, the majority of members present must be Independent Directors.
- 4.3** Meetings shall be held at least four (4) times a year or at a frequency to be decided by the ARC.
- 4.4** The Company Secretary shall be the Secretary of the ARC. The Secretary shall circulate the minutes of the meeting to the ARC members and to all members of the Board and shall keep record of all meetings.
- 4.5** The ARC shall update the Board on issues and concerns discussed during their meetings including those raised by the external auditors and where appropriate, make the necessary recommendations to the Board.
- 4.6** A circular resolution in writing signed by majority members shall be valid and effective as it has been passed at a meeting. All such resolution shall be submitted for confirmation at a meeting of the ARC following the passing of the circular.

5.0 AUDIT AND RISK COMMITTEE REPORT

- 5.1** The Audit and Risk Committee Report must be prepared at the end of each financial year to be included and published in the annual report of the Company. The report shall include the following:
- (a) The composition of the ARC including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise).
 - (b) The number of ARC meetings held during the financial year and details of attendance of each member.
 - (c) A summary of work of the ARC in the discharge of its functions and duties for that financial year and how it has met its responsibilities.
 - (d) A summary of work of the internal audit function.

Approved by the Board of Kumpulan Fima Berhad on 30 June 2021.