

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

### **1. Objectives**

The primary function of the Audit and Risk Management Committee (the “Committee”), formed by the Board, is to assist the Board of Directors in fulfilling its fiduciary duties as well as the following oversight objectives on the activities of the Group [comprising Pecca Group Berhad and its subsidiaries]:

- oversee financial reporting process; and
- evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group.

### **2. Composition**

The Board shall elect the Committee members from amongst themselves, comprising no fewer than three (3) Directors (none of whom shall be Executive) and the majority shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of “independent directors” under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). All the members shall be financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants (“MIA”); or
- if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - he must be a member of the associations of accountants specified in Part II of the Accountants Act 1967; or
  - fulfils such other requirements as prescribed or approved by Bursa Securities.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director but not the Chairman of the Board. No alternate Director of the Board shall be appointed as a member of the Committee.

It is required for a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Committee.

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### **3. Quorum and Meeting Procedures**

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Group Managing Director or the internal or external auditors.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes of all Committee meetings shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Chairman shall submit an annual report to the Board, summarising the Committee's activities during the year and the related significant results and findings thereof, including details of relevant training attended by each Committee member.

The Committee shall meet at least twice annually with the external auditors and at least once annually with the internal auditors without the presence of any executive Board members, Management or employees. In addition, Management, the internal auditor and external auditors may request for a private session with the Committee to discuss any matter of concern.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter. A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more committee members.

The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting

As a best practice, the Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

#### **4. Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities.

The Committee shall have full and unlimited access to any information pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee shall have the resources that are required to perform its duties.

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 the Main Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

#### **5. Responsibilities and duties**

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- 5.1 review the Committee's terms of reference as conditions dictate;
- 5.2 review with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan;
- 5.3 ensure the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to the Audit and Risk Committee directly and review their performance on an annual basis. The head of internal audit shall be responsible for the regular review and/or

- appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;
- 5.4 take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
  - 5.5 review the adequacy of the internal audit scope and plan, including the internal audit programme; functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - 5.6 review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified;
  - 5.7 review major audit findings and Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations;
  - 5.8 review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
  - 5.9 to set policies and procedures to assess the suitability, objectivity and independence of the external auditors;
  - 5.10 review the non-audit services provided by the external auditors and/or its network firms to the Company for the financial year, including the nature of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
  - 5.11 review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
  - 5.12 review the risk profile of the Group (including risk registers) and the Risk Management team's plans to mitigate business risks as identified from time to time;
  - 5.13 review the adequacy and integrity, including effectiveness, of risk management and internal control systems/framework, management

- information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- 5.14 direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- 5.15 review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
- changes in or implementation of major accounting policy changes;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - compliance with accounting standards and other legal requirements.
- 5.16 review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965 and Main Market Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- 5.17 review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on Management's integrity;
- 5.18 prepare reports, at least once (1) a year, to the Board which includes the following:
- 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);
  - the number of Committee meetings held during the financial year and details of attendance of each Committee member;
  - a summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
  - a summary of the work of the internal audit function; and
- 5.19 any other activities, as authorised by the Board.

The Chairman of the Committee shall engage on a continuous basis with Senior Management, such as the Group Managing Director or Executive Directors, Chief

Financial Officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

**6. Minutes**

The Secretary shall keep all the minutes of meetings of the Committee and copies thereof shall be circulated to all members of the Board.

**7. Revision of the Terms of Reference**

Any revision or amendment to this Terms of Reference, as proposed by the Nomination Committee or any third party, shall first be presented to the Board for its approval.

Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

*(This Terms of Reference for the Audit and Risk Management Committee was approved and adopted by the Board on 24 May 2018)*

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