

## **Terms of Reference of Kobay Audit and Risk Management Committee**

1. The Audit and Risk Management Committee (Committee) comprises at least three (3) members, a majority of whom are Independent Directors. All members of the Committee should be Non-Executive Directors. The Board of Directors (Board) should provide the Committee with written terms of reference which deal clearly with its authority and duties pursuant to the Bursa Malaysia Securities Berhad's Listing Requirements (LR).
2. All members of the Committee should be financially literate and at least one should be a member of an accounting association or body or fulfills such other requirements as prescribed and approved by Bursa Malaysia Securities Berhad.
3. No alternate Director can be appointed as a member of the Committee.
4. The Committee will elect an Independent Director from amongst them as its Chairman.
5. In the event of any vacancy in the Committee resulting in the non-compliance of paragraph 1, 2 and 4 above, the Board shall fill the vacancy within three (3) months.
6. The term of office and performance of the Committee and each of its members shall be reviewed by Nominating Committee annually to determine whether the Committee and its members have carried out their duties in accordance with the Terms of Reference.
7. Any former key audit partners shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.
8. The Chairman of the Audit Committee is not the Chairman of the Board. He/She shall be responsible for ensuring the overall effectiveness and independence of the Committee.
9. The functions of the Committee are as follows :
  - a) review the following and report the same to the Board of the Company:
    - (i) with the external auditors, their audit plan, evaluation of the system of internal controls and audit report;
    - (ii) the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
      - changes in or implementation of major accounting policy changes;
      - significant adjustments arising from the audit;
      - the going concern assumption;
      - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
      - compliance with accounting standards and other legal requirements;
  - b) in relation to internal audit functions, to do the following:
    - (i) integrate internal control with effective governance structures and process with performance-focused risk management at every level of the Company and across all operations for which includes appointment and removal, scope of work, performance evaluation and budget of internal audit function.
    - (ii) decide the scope of work, functions, competency, experience and resources of the person who assigned to take up the internal audit

- functions and has the necessary authority to carry out its work effectively and independently;
- (iii) establish an effective risk management and internal audit framework and policies so to determine the Company's level risk of tolerance and actively identify, assess and monitor key business risks to safeguard the shareholder's investments and the company's assets.
  - (iv) Undergo investigation to determine whether any action is required to be taken on the recommendations of the internal audit function;
  - (v) review any appraisal or assessment of the performance of members of the internal audit function; and
  - (vi) ensure there is co-ordination between internal and external auditors;
- c) in relation to risk management function, to do the following:
- (i) oversight the establishment and implementation of risk management practices across the Group; and
  - (ii) review the adequacy of risk management activities and its reporting in accordance with Group Risk Management Framework.
- d) 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 questions of management integrity;
- e) discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- f) discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- g) review the external auditors' management letter and management's response on findings arising from the interim and final audits;
- h) review major findings of internal investigations and management's response;
- i) verify the allocation of options pursuant to the Company's Employees' Share Option Scheme in compliance with the criteria as stipulated in the by-laws of the scheme at the end of each financial year; and
- j) discuss any other topics or functions as may be agreed to by itself and the Board.
10. The Committee should meet regularly, at least every quarter with due notice of issues to be discussed and should record its conclusions in discharging its duties and responsibilities. Majority of Committee members present must be Independent Director to form a quorum to the meeting.
11. The Committee is responsible for recommending the appointment of external auditors, their remuneration and removal in accordance with External Auditors policy.
12. The Committee should meet with the external auditors, internal auditors or both, without executive Board members and company employee present at least twice a year.
13. The Chief Financial Officer/Head of Corporate Finance, Head of Internal Audit and the representative of the external auditor should normally attend Committee

meetings. Other Board members and company employee may attend the meetings at the invitation of the Committee.

14. The Chairman of the Committee should engage on a continuous basis with senior management, such as the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer/Head of Corporate Finance, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.
15. A report by the Committee should be set out in Annual Report covering composition of Committee, the number of Committee meetings held in financial year and details of attendance of each Committee member, a summary of work of the Committee and internal audit function.
16. The Board should establish an internal audit function and identify a Head of Internal Audit who reports directly to the Committee. The Head of Internal Audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
17. The Company Secretary shall be the secretary of the Committee, regulate meeting procedures in particular:
  - (a) the calling of meetings;
  - (b) the notice to be given of such meetings;
  - (c) the voting and proceedings of such meetings;
  - (d) the keeping of minutes; and
  - (e) the custody, production and inspection of such minutes.
18. A seven (7) days' notice shall be served to all members for any meeting to be convened. However, if the notice period is shorter, it may be waived with the consent of all members of the Committee in writing.
19. All or any members of the Committee may participate in a meeting of the Committee by means of telephone conference, video conference or any communication technology, which allows the members of the Committee communicate simultaneously with each other. A member of the Committee so participating shall be deemed present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participants is assembled or if there is no such group, the meeting shall be deemed held at the registered office of the Company.
20. A resolution in writing signed or approved by letter, telegram, telex or any form of electronic communication by all the Committee members who are sufficient to form a quorum of two, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and convened. All such resolution may consist of several documents in like form, each signed by one (1) or more Committee members.