

Terms of Reference of the Audit and Risk Management Committee

Purpose

The purpose of this document is to outline the term of reference of the Audit and Risk Management Committee ('ARMC' or the "Committee") to assist the Board of Directors ("the Board") in discharging its fiduciary duties in accordance with the Malaysian Code on Corporate Governance and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Scope

This document is applicable to Audit and Risk Management Committee members of Scicom (MSC) Berhad and its subsidiaries.

Definitions

Terms	Descriptions
ARMC/Committee	Audit and Risk Management Committee
MMLR	Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Policy

1. Objective

The objective of the ARMC is to assist the Board in discharging its fiduciary duties as well as the following oversight function on the activities of the Group [comprising Scicom (MSC) Berhad and its subsidiaries], in line with the Malaysian Code on Corporate Governance and MMLR:-

- (a) Oversee financial reporting process.
- (b) Review conflict of interest situation and related party transaction; and
- (c) Evaluate the internal and external audit process, including issues pertaining to the system of internal control and risk management within the Group.

2. Composition of the Committee

- (a) The Committee members shall be appointed by the Board from amongst their members and shall consist of at least three members with majority being Independent Directors. The Chairman of the Board shall not be a member of the Committee. All members of the Committee shall be non-executive directors.
- (b) At least one member of the Committee shall be a member of the Malaysian Institute of Accountants or possess at least three years' working experience and has passed the examinations set out in Part I of the First Schedule or a member of one of the associations of accountants set out in Part II of the First Schedule of the Accountants Act 1967 or fulfills such other requirements as prescribed or approved by Bursa Securities.
- (c) No Alternate Director shall be appointed as a member of the Committee.

- (d) The members of the Committee shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director.
- (e) In the event of any vacancy in the Committee resulting in the non-compliance with paragraphs 15.09(1) and 15.10 of the MMLR (i.e. the requirements on the composition and Chairman of the Committee), the vacancy shall be filled within 3 months of that event.
- (f) A former key audit partner shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.
- (g) The Nominating and Remuneration Committee must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3. Meetings

3.1. Frequency of Meeting

- (a) The Committee shall meet not less than four (4) times a year 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 Chief Executive Officer, the internal or external auditors.

3.2. Proceedings of Meeting

- (a) The quorum for a Committee meeting shall be two (2) members of which the majority of members present must be Independent Non-Executive Directors.
- (b) The agenda of the Committee meetings shall be circulated before each meeting to members of the Committee.
- (c) If at any meeting, the Chairman of the Committee is not present within fifteen (15) minutes of the time appointed for holding the same, the members of the Committee present shall choose one of their number who shall be an Independent Non-Executive Director to be the Chairman of such meeting.
- (d) The Company Secretary, his/ her representative or other appropriate senior officer act as the Secretary of the Committee.
- (e) Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the Committee shall have a second or casting vote, except where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote.

- (f) 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.
- (g) The Committee members may participate in a meeting by means of telephone conferencing, video conferencing 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.

3.3. Attendance at Meeting

- (a) The presence of external auditors and internal auditors at any meeting of the Committee can be requested if required by the Committee.
- (b) Other members of the Board, Senior Management and employees of the Company and its Group may attend the meeting (specific to the relevant meeting) upon the invitation of the Committee.
- (c) The Committee shall meet with external auditors and internal auditors without the presence of any Executive Director, Management or employees, whenever deemed necessary.

3.4. Keeping and Inspection of Minutes

- (a) Minutes of the Committee shall be signed by the Chairman of the Committee meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (b) The books containing the minutes of proceedings of the Committee meeting shall be kept by the Company at its registered office or a place to be determined by the Board and copies thereof shall be circulated to all members of the Board.
- (c) Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Committee.

4. Authority

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- (a) have the authority to appoint the internal auditors of the Company and establish an internal audit function which is independent of the activities and ensure that the internal auditors report directly to the Committee.
- (b) have explicit authority to investigate any matter within the terms of reference.
- (c) have the resources, including obtaining independent professional or other advice, which the Committee requires to perform the duties.

- (d) have full and unrestricted access to any information which the Committee requires in the course of performing the duties.
- (e) have unrestricted access to the Chief Executive Officer of the Company.
- (f) have direct communication channels with the external auditors and internal auditors.
- (g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.
- (h) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other executive Board members, Management and employees of the Company, whenever deemed necessary; and
- (i) be able to oversee, consider, assess and monitor the risk management activities of the Group, approve the appropriate risk management procedures and measure the methodologies across the organisation as well as identify and manage the strategic business risks of the Group.

5. Duties and Responsibilities

The duties and responsibilities of the Committee shall include the following:-

5.1. Matters relating to External Audit and Financial Reporting

- (a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal.
- (b) To set policies and procedures to assess the suitability, objectivity and independence of the external auditors.
- (c) To review the nature, scope and quality of external audit plan/arrangements.
- (d) To review quarterly and annual financial statements of the Company before recommending to the Board for approval, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, areas involving significant judgment, estimation or uncertainty in the Group's financial results, significant one-off transactions, unusual events or transactions, significant issues arising from the audit and how these matters are addressed;
- (e) To review the adequacy of disclosure of information essential for fair presentation of the financial affairs of the Company and the Group.
- (f) To review the external auditors' audit report on the financial statements;
- (g) To review any management letter sent by the external auditors and the Management's response to such letter.

- (h) To review any letter of resignation from the external auditors.
- (i) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment, as well as the nomination of person(s) as external auditors.
- (j) To review the adequacy of co-operation and assistance provided by the Company's employees to the external auditors.
- (k) To discuss problems and reservations arising from the interim and final audits on any significant audit findings, reservations, difficulties encountered or material weakness reported.
- (l) To review the non-audit services provided by the external auditors and/or a firm or corporation affiliated to the external auditors 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 the conduct of the external audit resulting from the non-audit services provided; and
- (m) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

5.2. Matters relating to Internal Audit Function

- (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 the work.
- (b) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary ensure that appropriate actions are taken on the recommendations of the internal auditors.
- (c) To review the follow up actions by the Management on the weakness of internal accounting procedures and controls.
- (d) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels.
- (e) To review the adequacy of co-operation and assistance provided by the Company's employees to the internal auditors.
- (f) To approve any appointment or termination of senior staff members of the internal audit function (for in-house internal audit function)/ internal audit service provider (for out-sourced internal audit function); and
- (g) To review any letter of resignation of internal audit staff members/ service provider and provide the resigning staff member/ service provider an opportunity to submit his/ their reasons for resigning.

5.3. Matters relating to Risk Management and Internal Control Function

- (a) To review the adequacy and effectiveness of the risk management, internal control, anti-corruption, whistleblowing and governance processes, which includes the appropriateness of processes in place for the identification and management of significant risks.
- (b) To review the Group's overall risk appetite, tolerance and strategy, taking into consideration of the current and prospective macroeconomic, financial environment and other authorities sources that may be relevant to the Group's risk policy;
- (c) To oversee the risk management activities of the Group and ensure compliance and effective implementation of risk policy and objectives.
- (d) To review the effectiveness of overall risk management and ensure that all the key risks and control lapses have been addressed.
- (e) To review and monitor the business and financial risks facing by the Group and to ensure that all high impact risks are adequately managed at various levels within the Group.
- (f) To review and rate the risks of auditable areas and ensure that all high and critical risk areas are audited annually.
- (g) To provide assurance of the adequacy and reliability of the risk management processes in compliance with risk-related regulatory requirements.
- (h) To review the Group's process in detecting fraud.
- (i) To recommend to the Board the appointment and/or removal of the Chief Risk Officer; and
- (j) To review risk management reports from the Chief Risk Officer.

5.4. Other matters

- (a) To consider and review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company and the Group.
- (b) To report to Bursa Securities on any matter reported by the Board of the Company which has not been satisfactorily resolved resulting in a breach of the MMLR.
- (c) To prepare reports, at the end of each financial 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; and
- the summary of work of the Committee and internal audit function.

(d) To carry out any other functions that may be mutually agreed upon by the Committee and the Board which are beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities; and

(e) To ensure the effective discharge of the Committee's duties and responsibilities, including the review of procedures in place to ensure that the Group is in compliance with the Companies Act 2016, MMLR and other legislative and regulatory requirements.

6. Annual General Meeting

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

7. Revision of the Terms of Reference

The Committee shall annually review its Terms of Reference and may recommend to the Board any amendments to its Terms of Reference.