

## Terms of Reference – Audit and Risk Management Committee

### 1. Objectives

The principal objective of the Audit and Risk Management Committee (“**ARMC**”) is to assist the Board in its responsibilities relating to the accounting and reporting practices and internal controls of Salutica Berhad (“**Company**”) along with its subsidiary under the group (“**Group**”). In addition, the ARMC shall:

- a. evaluate the quality of the audits performed by the internal and external auditors;
- b. ensure financial statements comply with applicable financial reporting standards;
- c. oversee compliance with the laws and regulations and ensure observance of a proper code of conduct;
- d. have policies and procedures to assess the suitability and independence of external auditors; and
- e. assess the risk management policies and procedures and internal control system including deliberated and reviewed with the Risk Management Committee (“**RMC**”) on the Group’s risk profile, the key risks identified and the risk management process to ensure all high and critical risk areas are being addressed.

### 2. Composition

The members of the ARMC shall be appointed by the Board from amongst the Non-Executive Directors and shall consist of not less than three members, the majority of whom are Independent Directors.

No person who is a current partner or employee of the Group’s external auditor may be appointed as a member of the ARMC.

No former audit partner of the Group’s external auditors shall be appointed to the ARMC unless that person has observed a cooling-off period of at least two (2) years before being appointed as a member of the ARMC.

At least one member of the ARMC:

- a. must be a member of the Malaysian Institute of Accountants (MIA); or
- b. if he is not a member of MIA, he must have at least three years of working experience and:
  - i. he must have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967;

- ii. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate Director shall be appointed as a member of the ARMC.

### **3. Chairman**

The Chairman of the ARMC must be an Independent Non-Executive Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

### **4. Secretary**

The Company Secretary shall be the Secretary of the ARMC.

### **5. Quorum**

The quorum of the meeting of the ARMC shall be at least two members, a majority of whom must be Independent Directors.

### **6. Meeting Procedure**

At least four meetings shall be convened during a year. The meetings shall be scheduled regularly by the Secretary and due notice shall be distributed to the members before the meeting together with the agenda and supporting papers. The minutes of the meeting shall be recorded for reference and inspection purposes. The Executive Directors, Accountants, or the representatives of the internal and external auditors may be present in any meeting upon the invitation of the ARMC.

#### **6.1 Venue and Participation**

The ARMC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting.

### **7. Authority**

The ARMC shall have the authority to do the following:

- a. to carry out its function within its terms of reference. All employees of the Group shall be directed to co-operate as requested by the ARMC;
- b. have full and unlimited/unrestricted access to all information, documents

and resources which are required to perform its duties;

- c. be able to obtain, at the expense of the Company, any other independent professional advice, if required;
- d. be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of the Executive Directors and employees of the Company, whenever deemed necessary;
- e. be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements of the Bursa Malaysia Securities Berhad has occurred; and
- f. have direct communication channels with the external auditors and person(s) carrying out the internal audit function.

## **8. Functions**

The ARMC shall discharge the following duties and responsibilities and report the same to the Board:

- a. to review with the external auditors:
  - i. the audit plans;
  - ii. its evaluation of the system of internal controls;
  - iii. the audit report;
  - iv. the assistance given by the employees and the management of the Company and the Group to the external auditors; and
  - v. the management letter of the external auditors and the management's response.
- b. to review with the internal auditors :
  - i. the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
  - ii. the internal audit programs, processes, the results of the internal audit programs, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- c. to review the quarterly unaudited financial results and audited financial statements, prior to the approval of the Board, particularly focusing on:
  - i. changes in or implementation of major accounting policies;
  - ii. significant and unusual events; and
  - iii. compliance with approved accounting standards and other legal requirements.
- d. to monitor 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;

- e. to consider the appointment, resignation or dismissal of the external auditors of the Company;
- f. to review and monitor the suitability and independence and evaluate the performance of the external auditors for re-appointment;
- g. to obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements ;
- h. to review and approve the internal audit plan for the Group which covers internal control system, risk register and update as per Risk Management Policy. This includes the review and adoption of the Group's Anti-Corruption and Bribery Policy;
- i. to review and discuss with the outcome of the exercise to identify, evaluate and manage significant strategic, operational and financial risks faced by the Group;
- j. to review and recommend improvements to the existing internal controls, risk management as reported by external auditor;
- k. to review related party transactions and conflict of interest situation that may arise within the Group;
- l. to review and report such other matters as may be delegated by the Board from time to time.

## **9. Retirement and Resignation**

In the event of any vacancy in the ARMC resulting in non-compliance in respect of composition of ARMC, the Company must fill the vacancy within three months.

## **10. Term of Office**

Each year, the Board must review the term of office, performance of the ARMC and each of its members to determine whether the ARMC and its members carried out their duties in accordance with their terms of reference.

## **11. Reporting**

The ARMC shall report to the Board either formally in writing or verbally, as it considers appropriate, on its terms of reference at least once a year, but more frequently as it wishes.

The ARMC shall report to the Board any specific matters, as requested by the Board, for investigation.

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