



TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

SUMISAUJANA GROUP BERHAD
COMPANY NO: 202101023259 (1423559-T)

4 FEBRUARY 2025

1.0 PURPOSE

The Audit and Risk Management Committee (“the ARMC” or “the Committee”) is established as a committee of the Board with the primary objective of assisting the Board to:

- i) Discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Company and its subsidiaries (“Group”);
- ii) Review the quality of the Group’s accounting function and financial reporting;
- iii) Oversee the effectiveness of internal controls and the overall risk management framework for the Group;
- iv) Oversee the conflicts-of-interest situations and related party transactions;
- v) Enhance the independence of the external and internal audit functions by providing direction to and oversight of these functions;
- vi) Ensure that an effective ethics programme is implemented across the Group, and monitor compliance with established policies and procedures; and
- vii) Oversee the corporate governance and oversight responsibilities in relation to the relevant Acts, Laws, Requirements, Codes, Regulations and Policies governing the Group and oversees the development and implementation of the anti-bribery and corruption measures, sustainability initiatives, and whistleblowing processes.

2.0 COMPOSITION AND APPOINTMENT

2.1 The Board shall appoint the ARMC amongst themselves. The Committee shall comprise no fewer than three (3) members, all of whom shall be non-executive directors, with a majority of them being independent non-executive Directors.

In this respect, the Board adopts the definition of “independent director” as set out in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any practice notes issued to thereto.

2.2 All members of the Committee shall be financially literate and be able to understand matters under the purview of the Committee including the financial reporting process.

2.3 At least one (1) member of the Committee shall:

- i) be a member of the Malaysian Institute of Accountants (“MIA”); or
- ii) if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - a) Must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

- b) 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
- c) Fulfill such other requirements as prescribed or approved by Bursa Securities.

2.4 The Chairman of the Board shall not be appointed as a member of the Committee.

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

2.6 No former partner of the external audit firm of the Company shall be appointed as a member of the Committee before first observing a cooling-off period of at least three (3) years.

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

2.8 In the event of any vacancy resulting in the number of members of the Committee falling below three (3), the vacancy must be filled within three (3) months of that event.

2.9 All members of the Committee, including the Chairman, shall hold office only for so long as they serve as Directors of the Company. Members of the Committee may relinquish their membership in the Committee with prior written notice to the Company Secretaries.

3.0 CHAIRMAN

3.1 The Chairman of the Committee (“Chairman”) shall be elected from amongst the Committee members as approved by the Board.

3.2 The Chairman is responsible for ensuring the overall effectiveness and independence of the Committee. In particular, he is responsible for:

- a) planning and conducting meetings;
- b) overseeing the reporting to the Board;
- c) encouraging open discussion during meetings; and
- d) developing and maintaining active on-going dialogue with the Management, Group Financial Controller, external auditors and internal auditors.

3.3 The Chairman together with other Committee members should ensure, amongst others, that:

- a) the Committee is fully informed of the significant matters related to the Company's audit and its financial statements and address these matters;
- b) the Committee appropriately communicates its insights, views and concerns about relevant transactions and events to the internal and external auditors;
- c) the Committee's concerns on matters that may have an effect on the financial or audit matters of the Company are communicated to the external auditors; and
- d) there is co-ordination between internal and external auditors.

4.0 AUTHORITY

- 4.1 The Committee is authorised by the Board and at the expense of the Group to perform the following:
 - a) secure the resources in order to perform its duties as set out in its terms of reference;
 - b) investigate any matter within its terms of reference, including possible fraud, illegal acts, or suspected violation of the Code of Conduct involving the Management and the Board. All employees shall be directed to co-operate as requested by the Committee;
 - c) have full and unrestricted access to any employee of the Group and all information and documents which are required to perform its duties;
 - d) obtain external legal or other professional advice as necessary; and
 - e) convene meetings with the external auditors and internal auditors without the attendance of the Management or employees of the Group.
- 4.2 The Committee shall report to the Board on matters considered and its recommendations thereon.

5.0 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:

- 5.1 Financial reporting
 - i) review the audit plan with the external auditors and their evaluation of the system of internal controls.
 - ii) review with the external auditors, the year end financial statements, before approval by the Board, focusing particularly on:

- a) whether there have been changes in or adoption of new accounting policies;
- b) whether there have been changes in the presentation of the financial statements;
- c) whether there are significant auditing and financial reporting matters, material audit adjustments, material fluctuations in balances, significant judgement and estimates made by the Management, significant or unusual events or transactions highlighted by the external auditors, and how these matters are addressed;
- d) whether significant contingent liabilities and commitments have been properly disclosed;
- e) whether the going concern assumption used in the preparation of the financial statements is appropriate;
- f) whether the financial statements are in compliance with accounting standards and other legal requirements;
- g) whether the financial statements taken as a whole provide a true and fair view of the financial position and performance of the Group and the Company;
- h) review the external auditors' report and findings arising from audits including the comments and responses in management letters; and
- i) whether there are any qualifications in the auditors' report that must be discussed and properly acted upon.

- iii) report its findings on the financial performance, financial management, and other significant matters to the Board, and if appropriate, recommend to the Board the issuance of the quarterly and audited financial statements to Bursa Securities.
- iv) discuss problems and issues encountered during the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of the Management, where necessary).
- v) review the recommendation to the Board on interim and final dividend.

5.2 External auditors

- i) consider and recommend the appointment or re-appointment of the external auditors, the level of audit fees and any questions regarding resignation or dismissal.
- ii) annually assess the suitability, objectivity and independence of the external auditors, taking into consideration the following:
 - a) the competence, audit quality and resource capacity of the external auditors in relation to the audit;

- b) the nature and extent of non-audit services rendered and the level of fees paid for such services relative to audit fees. In this connection, the Committee shall review and approve all proposed non-audit services, including proposed fees, prior to work commencement;
- c) the conduct of and independence demonstrated by the external auditors throughout the audit engagement. In this connection, the Committee shall obtain written confirmation from the external auditors that they are, and have been, independent in accordance with all relevant professional and regulatory requirements; and
- d) the conduct of an annual evaluation of the performance of the external auditors and undertaking follow-up measures, where necessary;

- iii) review and recommend for the Board's approval on the non-audit services before they are rendered by the external auditors and its affiliates while considering the nature of the extent of the non-audit services and the appropriateness of the level of fees; and
- iv) nominate and recommend for the Board's endorsement for Shareholders' approval on the re-appointment of the external auditors.

5.3 Internal audit

- i) establish an internal audit function (either in-house or outsourced, as applicable) which is independent of the Management and in relation thereto:
 - a) review 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;
 - b) review the annual internal audit plan, processes and the results of all internal audit assignments (including any special investigations) undertaken and ensure that appropriate actions are taken based on the recommendations;
 - c) review the budget and ensure sufficient resources are allocated to the internal audit function;
 - d) ensure that the internal audit function is independent of the activities it audits and that the head of internal audit reports functionally to the Committee directly;
 - e) appraise the performance of the internal audit function on an annual basis;
 - f) approve any appointment or termination of senior staff members of the internal audit function (if applicable);
 - g) ensure that the staff members or outsourced members who are responsible for internal audit have the relevant experience, sufficient standing and authority to enable them to discharge their functions effectively;

- h) take note of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning (if applicable);
- i) review the adequacy and effectiveness of appropriate actions taken by the Management in response to the audit findings and the Committee's recommendations; and
- j) review the annual Sustainability Statement for inclusion in the Annual Report.

- ii) determine the remit of the internal audit function.

5.4 Risk management and internal control

- i) provide direction, oversight and advice on the risk management process.
- ii) perform the following in relation to risk management and internal controls:
 - a) review the adequacy and effectiveness of risk management, internal control, anti-corruption, whistle-blowing and governance processes implemented within the Group;
 - b) monitor risk management process to ensure they are integrated into all core business processes;
 - c) review the relevant reports and policies, and ensure that all risks are well managed;
 - d) advise the Board on risk-related issues, recommend strategies, policies, and risk tolerance levels for the Board's information and approval as appropriate;
 - e) monitor material risk exposure with potentially significant business impact or requiring a group-wide response, including reviewing and deliberating on mitigation strategies proposed by management for key issues;
 - f) review the Group's risk management policy and implementation of the risk management framework; and
 - g) review the statement on risk management and internal control for inclusion in the Company's Annual Report.

5.5 Related party transactions and conflicts of interest

- i) perform the following in relation to related party transactions and conflicts of interest:
 - a) ensure that the Group establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting related party transactions and monitoring conflict of interest situations;

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- b) review with the internal auditors their quarterly report from work performed to establish whether recurring related party transactions have been carried out in accordance with the mandate approved by shareholders and on commercial terms no more favourable than those available to non-related third parties;
- c) review non-recurring corporate proposals involving related parties to ensure that they are in the best interest of the Group and not detrimental to the interest of minority shareholders;
- d) monitor, review and report to the Board any conflict of interest or potential conflict of interest involving Relevant Officers (Directors and Key Senior Management) that arose, persist or may arise within our Group together with the measures taken to resolve, eliminate or mitigate such conflicts, as well as disclosing them in the annual report and the ARMC report; and
- e) review the Group's conflict of interest policy from time to time and ensure relevance with the requirements of acts, rules and guidelines currently in force.

5.6. Anti-bribery and corruption

- i) perform the following in relation to anti-bribery and corruption:
 - a) oversee the implementation and effectiveness of anti-bribery and anti-corruption policies and measures;
 - b) review the sufficiency, adequacy and comprehensiveness of the anti-bribery and corruption in line with the need to mitigate bribery risks and advise the Board on issues of compliance with regard to the applicable laws, regulations, rules, directives and guidelines;
 - c) ensure that appropriate training programs are in place for employees regarding anti-bribery and anti-corruption measures;
 - d) ensure that employees are encouraged to use any of the whistleblowing channels to report on any suspected and/or real corruption incidents;
 - e) receive update from the Management on incidents or allegations related to bribery and corruption;
 - f) ensure auditors have adequate access to information and resources to evaluate the effectiveness of anti-bribery and anti-corruption controls; and
 - g) review audit findings and recommendations related to bribery and corruption and overseeing the Management's response.

5.7. Sustainability

- i) perform the following in relation to sustainability:

- a) oversee the development, implementation, and periodic review of sustainability policies, procedures and strategies;
- b) ensure alignment of sustainability goals with the organisation's overall strategic objectives;
- c) monitor the effectiveness of controls and mitigation strategies for identified sustainability risks;
- d) oversee the establishment of reporting mechanisms to review and assess progress toward sustainability goals, including environmental, social, and governance aspects;
- e) oversee stakeholder engagement strategies related to sustainability issues, including shareholders, employees, customers, communities, and regulatory bodies;
- f) ensure compliance with relevant sustainability laws, regulations, and reporting requirements;
- g) stay informed about emerging sustainability standards and best practices applicable to the organisation's industry; and
- h) review the sustainability initiatives adopted by the Group and the key performance indicators on material sustainability matters.

5.8. Whistleblowing

- i) perform the following in relation to whistleblowing:
 - a) establish, review and together with the Management implement whistleblowing policy for the Group;
 - b) ensure that the Management establishes effective procedures for the purposes of receiving, processing, identifying, investigating, reviewing, evaluating, recommending, decision making, and responding to complaints and/or reports and/or recommendations received are in placed accordingly;
 - c) receive, process, conduct an initial enquiry on any complaints and/or reports and/or recommendations received and determine the genuineness of the concern/ allegation submitted to it;
 - d) dismiss any complaints and/or reports and/or recommendations if the same shall have no basis or merits or is not a matter to be dealt with under the whistleblowing policy;
 - e) investigate each merited claim independently using appropriate channels, resources and expertise and shall nominate an investigation team to investigate any such complaints and/or reports and/or recommendations, if deemed necessary;
 - f) review the findings of the investigation in respect of any complaints and/or reports and/or recommendations to the Board and determine

the appropriate actions to be taken as well as to make recommendations to implement procedures or take preventive measures, where necessary, to minimise or prevent the occurrence of the misconduct in the future;

- g) respond and communicate with the whistleblower(s) on the outcome or decision of the Board on the complaints and/or reports and/or recommendations, and with the Management on the preventive measures to be taken; and
- h) consider any other matters in relation to whistleblowing as may be delegated from time to time by the Board.

5.9 Other Matters

- i) prepare the ARMC report at the end of the financial year for inclusion in the Annual Report pursuant to Bursa Securities ACE Market Listing Requirements.
- ii) undertake such other assignments as requested by the Board from time to time or as the Committee considers appropriate.

6.0 REPORTING RESPONSIBILITY

The Committee is responsible for making recommendations to the Board for consideration and adoption, but it has no executive power to implement the recommendations on behalf of the Board.

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 Bursa Securities ACE Market Listing Requirements, the Committee has the responsibility of promptly reporting such matter to Bursa Securities.

7.0 MEETINGS

- 7.1 The Committee shall meet at least four (4) times annually, or more frequently, if deemed necessary.
- 7.2 In the absence of the Chairman, the Committee members present shall elect a chairman for the meeting from amongst themselves.
- 7.3 The Company Secretary shall be secretary of the Committee.
- 7.4 The Secretary shall issue and circulate the notice of Committee meetings confirming the venue, time and date at least five (5) business days before each meeting to the Committee members and all those who are required to attend the meeting. Notice can be sent by post, hand, facsimile, electronic mail or by any means of telecommunication in a permanent written form.

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- 7.5 Materials required for the meeting, including minutes of the previous meeting and agenda items are to be circulated at least five (5) business days before each meeting to the Committee members.
- 7.6 The internal auditors, Chief Executive Officer, Chief Financial Officer, and Group Financial Controller shall attend meetings as permanent invitees. The other Board members, other Management personnel, as well as external auditors shall attend meetings upon the invitation of the Committee.
- 7.7 At least once a year and whenever necessary, the Committee shall meet with the external auditors and internal auditors without the presence of the Management.
- 7.8 Upon the request of the external auditors, the Chairman shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Committee.
- 7.9 The Committee members may participate in a meeting by means of telephone or video conferencing. Such participation shall constitute presence in person at such meeting.
- 7.10 A resolution in writing, signed or approved by letter, electronic mail or other electronic communication by a majority of the Committee members, 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.

8.0 QUORUM & DECISION MAKING

The quorum for a Committee meeting shall be two (2) members present in person, and the majority of members present shall be Independent Directors. No business shall be transacted at any meeting of the Committee unless a quorum is present.

The decision/and or voting at meetings of the Committee shall be by a simple majority of the members present. Any decision by the Committee shall be escalated to the Board for review and ultimate approval.

9.0 MINUTES

- 9.1 The minutes of the meeting shall be action-oriented, and record the deliberations and decisions of the Committee. Minutes shall include compiled instructions as matters arising for discussion at each meeting to ensure proper follow-through.
- 9.2 Draft minutes shall be distributed to Committee members for comments in between two (2) and four (4) weeks after the meeting. The minutes shall be approved by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next meeting.

- 9.3 Copies of the minutes of each meeting shall be distributed to all members of the Board, the Group Financial Controller and internal auditors to ensure proper key action is taken.
- 9.4 Minutes of Committee meetings shall be kept at the registered office.
- 9.5 The Chairman shall orally report on the proceedings of each Committee meeting at the first Board meeting following the Committee Meeting.

10.0 GENERAL MEETINGS

The Chairman of the Committee shall attend all general meetings to answer questions raised by shareholders on the activities of the Committee.

11.0 CONTINUOUS PROFESSIONAL DEVELOPMENT

The Committee members shall undertake continual professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

12.0 REVIEW

The Committee shall recommend any changes to its terms of reference in such manner as it deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed, and updated at least once every three (3) years or as and when the need arises to keep it current and relevant at all times i.e. when there are changes to the Malaysian Code on Corporate Governance, Bursa Securities ACE Market Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the Committee's role.

This Terms of Reference was reviewed, approved and adopted by the Board on 4 February 2025.