

# **HAILY GROUP BERHAD**

Registration No. 202001006412 (1362732-T)

*(Incorporated in Malaysia)*

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

The Board's Audit and Risk Management Committee ("ARMC" or "the Committee") is established as a Committee of the Board pursuant to Clause 145 of the Company's Constitution and integrates the functions of the audit committee with a risk management committee as required by Malaysian Code on Corporate Governance ("MCCG").

### **I. MEMBERSHIP**

1. The ARMC shall be appointed by the Board of Directors and shall be comprised of a minimum of three (3) Directors subject to a maximum of five (5) Directors or such number as may be determined by the Board of Directors from time to time.
2. All ARMC members must be Non-Executive Directors, with a majority of them being Independent Directors as defined in Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements ("ACE LR"). The Chairman of the Board shall not be a member of the ARMC, with reference to Practice 1.4 of the MCCG.
3. The members of the ARMC shall elect a Chairman from among themselves who shall be an Independent Director.
4. No former key audit partner of the External Auditors of the Company and/or its subsidiaries shall be appointed as a member of the ARMC before observing a cooling-off period of at least three (3) years before being appointed as a member of the ARMC. For the purpose of the foregoing, a former key audit partner means the engagement partner, the individual who is responsible for the engagement of quality control review and other audit partners, if any, on the engagement team who make key decisions and/or judgments on significant matters with respect to the audit of the financial statements of Haily Group Berhad on which the auditor will express an opinion.
5. At least one (1) member of the ARMC:-
  - i) must be a member of the Malaysian Institute of Accountants ("MIA"), or
  - ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
    - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
    - (b) 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.
  - iii) fulfills such other requirements as prescribed or approved by Bursa Securities.
6. No Alternate Director shall be appointed as a member of the ARMC.

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7. If a member of the ARMC retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 1 and 5 above, the Board shall within three (3) months of these events, fill the vacancy.

## **II. POLICY**

It is the policy of Company to establish an ARMC to provide assistance to the Board in relation to fulfillment of the Board's statutory as well as fiduciary responsibilities and ensure that the internal and external audit functions of the Company and its group of companies ("the Group") are being carried out adequately and effectively.

## **III. DUTIES AND FUNCTIONS**

The ARMC shall review, report and make recommendations to the Board on the following matters:-

1. The appointment of the external auditors, the audit fee and any questions of re-appointment, resignation or dismissal and in particular to assess the suitability and independence of the external auditors on an annual basis. In assessing the suitability, objectivity, and independence of the external auditors, to consider the information presented in the Annual Transparency Report of the audit firm.
2. To review, discuss and approved the non-audit services to be rendered by the external auditor and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees.
3. 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.
4. To review with the external auditors:-
  - where prior to the commencement of audit, their audit plan which shall state the nature of audit and to ensure an effective co-ordination of audit, where more than one audit firm is involved.
  - their evaluation of the system of the internal controls;
  - their audit report;
  - their management letter and management's response;
  - the assistance given by the Company's employees to the external auditors; and
  - on issues and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary) at least once a year or more frequently as necessary;
5. To ensure and confirm that the management has placed no restriction on the scope of the audit and inquire into the staffing and competence of the external auditors in performing their work and assistance given by the Company's officers to the external auditors.

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6. Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the ARMC shall ensure that the Company notify Bursa Securities by forwarding a copy of any written representations or written explanations of the resignation made by the external auditors at the same time as copies of such representations or explanations are submitted to the Registrar of Companies within seven (7) days from the submission of the written representation or notice of resignation pursuant to Section 284 of the Companies Act 2016.
7. To review:-
  - the Annual Report, quarterly and year-end financial statements of the Company and Group and make its recommendation to the Board of Directors for their approval and announcement to Bursa Securities focusing particularly on:-
    - i) changes in or implementation of major accounting policies and practices;
    - ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed;
    - iii) the going concern assumption; and
    - iv) compliance with applicable financial and accounting reporting standards and other legal requirements.
  - any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
  - submit an annual report to the Board of Directors summarising the ARMC's activities during the financial year and the related significant results and findings.
  - to carry out any other matters, as may be defined and directed by the Board from time to time.
8. Establishment of an internal audit function (whether inhouse or outsourced) which is independent of the activities it audits and in relation thereto:-
  - ensure that the head of the internal audit function reports directly to the ARMC;
  - 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 its work;
  - review the internal audit plan, processes, the results of the internal audit assessment or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function and the Continuing Professional Education attended by them;
  - approve any appointment or termination of senior staff members of the internal audit function and remuneration or fee of internal audit function;
  - inform itself of changes in personnel of the internal audit staff members and make available the opportunity for resigning staff members to submit his reasons for resigning;

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- conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes within the company to ensure internal audits are carried out in accordance with recognized framework;
  - if internal audit function is outsourced, to consider and recommend the appointment or termination of the internal auditors, the fee and ensure adequate resources are available including staffing and competence of the internal auditors in performing their work;
  - to consider the major findings of any internal investigations and management's response;
  - to meet with the Internal Auditors at least once a year without the presence of management to exchange opinions and for the Internal Auditors to convey any of their concerns;
  - review the reporting information of the contents and operations of the Anti-Bribery Management System at regular intervals and order a regular review (at least once every three (3) years) of the Anti-Bribery and Anti-Corruption Policy to ensure the system is kept effective and up to date; and
  - ensure the management has adequate and appropriate resources needed for effective implementation of the Anti-Bribery Management System to fulfill and comply with the Malaysian Anti-Corruption Commission ("MACC") Act.
9. To ensure disclosure in financial results and annual reports of the Company are in line with the principles of applicable accounting standards, Bursa Securities ACE LR, the MCGG, other applicable laws, rules, directives and guidelines.
10. In relation to risk management, the functions of ARMC shall include:-
- (a) Review, assess, formulate and recommend risk management strategies, framework, policies, processes, tolerance and risk appetite limits to the Board;
  - (b) Monitoring of Group risk exposures to ensure implementation and compliance with approved risk policies and processes of the Group, and to ensure that significant risks identified are being responded to appropriately;
  - (c) Review status of management action(s) in mitigating significant risks identified;
  - (d) Review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system and to recommend such changes as may be deemed necessary to the Board;
  - (e) Review and assess the risks associated with all proposed strategic transactions of the Group and report the same to the Board for its deliberation of the transaction;
  - (f) To coordinate on the activities of the internal audit function of the Group in relation to the review of risk management activities and to ensure significant business risks are adequately managed by the Group to ensure internal audits are carried out in accordance with approved framework and plan;
  - (g) To ensure adequate infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of our Company's risk originating activities;
  - (h) To review the impact of risk on capital adequacy and profitability under normal and stress scenarios;

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- (i) To assess the adequacy of the business recovery/ disaster recovery procedures.
- (j) Identify Corporate Liability risks including specific bribery risks, corruption risks and compliance risks with the MACC Act.
- (k) Monitor the Risk Control Measures for Corporate Liabilities Risks identified.
- (l) Review the operational effectiveness and efficiency in protecting the Group from bribery risks and ensure legal and regulatory compliance.

11. In relation to sustainability management, the functions of ARMC shall include to:-

- (a) Oversee the establishment and activities of the Sustainability Risk Management Committee (“SRMC”) and the implementation of the sustainability strategy(s) approved by the Board and to report the review results and recommendations to the Board for decision;
- (b) Review the process and results of sustainability matters identification, assessment and management conducted by SRMC and to report the review results and recommendations to the Board for decision;
- (c) Conduct periodic review of the material sustainability matters of the Group (at least on an annual basis or more often where circumstances require) and determine the adequacy of the response and the current status of the material sustainability matters and reporting the review results and recommendations to the Board for decision;
- (d) Review the need to conduct full sustainability review by SRMC and recommend to the Board for decision;
- (e) Conduct periodical review of the adequacy and effectiveness of the Group’s sustainability governance structure and process to identify, assess and manage sustainability matters and reporting the review results and recommendations to the Board for decision;
- (f) Oversee the overall management of stakeholder engagement;
- (g) Oversee the identification of the material sustainability matters’ indicator and establishment of the target and the review of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval; and
- (h) Direct the internal and external assurance function of the Group in relation to sustainability management and ensuring the adequacy of the resources and competency of the assurance functions.

#### **IV. AUTHORITY**

The ARMC is authorised by the Board to:-

1. investigate any matter or activity within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company and Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

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5. obtain independent professional or other advice when needed and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary; and
6. convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

#### **V. PROCEDURE OF THE ARMC**

1. The ARMC may meet together for the despatch of business, adjourn and subject to Clauses 145 to 147 of the Company's Constitution, otherwise regulate their meetings as they think fit, provided that the ARMC shall meet at least four (4) times in a calendar year.
2. A member of the ARMC, may participate in a meeting of the ARMC by means of a conference telephone, electronic or any communication facilities which allows all persons participating in the meeting to hear each other. A participant shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly notwithstanding the fact that he is not physically present at the venue where the meeting is to be held. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.
3. Any member of the ARMC may at any time and the Secretary shall on such request summon a meeting of the Committee.
4. At least seven (7) days' notice of a meeting of the ARMC shall be given to all ARMC Members in writing at his last known address or other address given by him for the purpose.  
  
The ARMC Members may meet on shorter notice and waive notice of any meetings as they deem necessary subject to the consent and agreement of all ARMC Members.  
  
The quorum necessary for the transaction of business shall be two (2) comprising of a majority of Independent Directors.
5. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
6. The external auditors may request a meeting if they consider that one is necessary and the Chairman upon such request will convene a meeting for the purpose.  
  
The external auditors shall have the right to appear and be heard at any meetings of the ARMC.  
  
The ARMC shall meet with the external auditors at least once a year and as and when deemed necessary without the presence of any executive Board member or management.

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7. The Chief Financial Officer / Financial Controller / Finance Manager, the Head of Internal Audit shall normally attend meetings or be excluded at the discretion of the Chairman. The Chairman shall, where he deems appropriate, invite any other Board members, employees, third party professionals and/or any person(s) with the relevant experience and expertise to attend any meetings of the ARMC.
8. The ARMC shall cause minutes to be duly entered into books provided for the purposes:-
  - i) of the names of all ARMC members and other participants at each meeting of the ARMC;
  - ii) of all resolutions and proceedings of ARMC meetings; and
  - iii) of all orders, recommendations and reports made by the ARMC.

Such minutes shall be signed by the Chairman of the ARMC at which the proceedings were held or by the Chairman of the next succeeding meeting, and if so signed, shall be conclusive evidence without any further proof of the facts therein stated.
9. The books containing the Minutes of proceedings of the ARMC shall be kept by the Company at the Registered Office of the Company subject to the provisions of the Companies Act 2016, relating to the keeping of Minutes of the Board of Directors and any Committee of the Board of Directors.

#### **VI. SECRETARY**

The company secretary of the Company or such other person as the ARMC may determine, shall be the Secretary of the ARMC (“Secretary”). The Secretary shall minute the proceedings and decisions of the ARMC’s meetings and the minutes shall be circulated to the members of the ARMC and directors who are not members of the ARMC.

#### **VII. GOVERNANCE**

1. The ARMC shall make available to the new members of the ARMC a suitable induction/introduction process and, for existing members of the ARMC.
2. Where the ARMC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the ACE LR, the ARMC must promptly report such matter to Bursa Securities and/or Securities Commission Malaysia.
3. During its decision making, the ARMC shall take into account any relevant legal or regulatory requirements, best practice guidance and the risk and reputation of the Company in respect to its decisions.

#### **VIII. EVALUATION**

The Nominating Committee of the Company shall review the term of office and performance of the ARMC and each of its members annually to determine if the ARMC and members have satisfactorily carried out their duties in accordance with their terms of reference.

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**IX. REVIEW**

The ARMC will review its Terms of Reference at least once every three (3) years or as and when the need arises to keep it current and relevant at all times with the MCCG and ACE LR.

*This Terms of Reference was approved and adopted by the Board on 2 September 2020.*

*This Terms of Reference was last reviewed and approved by the Board on 23 February 2022.*