

# **Ge-Shen Corporation Berhad**

## Terms Of Reference of Audit and Risk Management Committee

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## 1. Introduction

The principal objectives of the Audit and Risk Management Committee ("**ARMC**") is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and each of its subsidiaries. In addition, the ARMC shall: -

- evaluate the quality of the audits performed by the internal and external auditors.
- provide assurance that the financial information presented by management is relevant, reliable and timely.
- oversee compliance with laws and regulations and observance of a proper code of conduct.
- determine the quality, adequacy and effectiveness of the Group's control environment.
- assess and monitor key business risks to safeguard the shareholders' investments and the Company's assets.

## 2. Composition of members

The Board shall appoint the ARMC members from amongst themselves, comprising no fewer than three (3) Directors, all of whom shall be Non-Executive Directors. The majority of the ARMC members shall be Independent Directors.

*In this respect, the Board adopts the definition of "independent director" as defined under the Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**Listing Requirements**").*

All members of the ARMC shall be financially literate and at least one (1) member of the ARMC must be:-

- a) 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 (3) years of working experience and:-
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- c) fulfils such other requirements as prescribed or approved by Bursa Securities.

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

No former key audit partner of the company's external auditors shall be appointed as a member of the ARMC unless the said former key audit partner has observed a cooling-off period of at least two (2) years.

The term of office and performance of the ARMC and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine

whether such ARMC and members have carried out their duties in accordance with their terms of reference.

### 3. Retirement and Resignation

In the event of any vacancy in the ARMC resulting in the non-compliance of paragraph 2 and election of an Independent Chairman of the ARMC, the Company must fill the vacancy within three (3) months.

### 4. Chairman

The members of the ARMC shall elect a Chairman from amongst their number who shall be an Independent Director.

In the absence of the Chairman of the ARMC, the other members of the ARMC shall amongst themselves elect a Chairman who must be an Independent Director to chair the meeting.

### 5. Secretary

The Company Secretary shall be the secretary of the ARMC and shall be responsible for issuing the agenda with the concurrence of the Chairman and circulating it, supported with explanatory documentation to ARMC members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the ARMC, circulating them to ARMC members and to the other members of the Board of Directors and for following up on outstanding matters.

The Secretary shall keep the minutes of meetings properly filed and shall produce the minutes of meetings for inspection when necessary.

### 6. Meetings

- 6.1. The ARMC shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.
- 6.2. Upon the request of the external auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the Directors or Shareholders.
- 6.3. Notice of ARMC meetings shall be given to all the ARMC members unless the ARMC waives such requirement.
- 6.4. The Chairman of the ARMC shall engage on a continuous basis with the Chairman of the Board, senior management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

- 6.5. The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the ARMC. The ARMC shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.
- 6.6. Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit and Risk Committee ARMC shall have a second or casting vote.
- 6.7. Meetings via instantaneous telecommunication device
  - 6.7.1. ARMC members may participate in a meeting by means of teleconferencing or similar communications equipment, through which all persons participating in the meeting can hear and speak with each other.
  - 6.7.2. A participant on a conference call shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
  - 6.7.3. 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.
  - 6.7.4. Minutes of the proceedings at a ARMC meeting by instantaneous communication device will be sufficient evidence of such proceedings and of the observance of all necessary formalities if signed as correct minutes by the Chairman of the meeting and shall be as valid and effectual as if the resolutions had been passed at a meeting of the ARMC duly convened, at which all participants were present in the same location.
- 6.8. A resolution in writing signed or approved by letter, electronic mail, telegram, cable, telex or telefax or other form of electronic communication by ALL of the ARMC members, shall be valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted.
- 6.9. All such resolutions shall be described as "*Audit and Risk Management Committee Members' Resolution in Writing*" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by her in the Company's Minutes Book. Any such resolution may consist of several documents in like form, each signed by one (1) or more ARMC members.

## 7. Quorum

The quorum for the ARMC Meeting shall be the majority of members present whom must be Independent Directors.

## 8. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board. The ARMC Chairman shall report on the proceedings of each meeting to the Board.

The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

## 9. Reporting

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

The ARMC shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

## 10. Authority

The ARMC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC.
- b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- c) obtain, at the expense of the Company, independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary; and
- f) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMC shall promptly report such matter to Bursa Securities.

## 11. Duties and Responsibilities

The duties and responsibilities of the ARMC are as follows:-

- a) To review the quarterly and year-end financial statements of the Company before submission to the Board, focusing particularly on:-
  - any changes in or implementation of major accounting policies and practices;
  - significant adjustments arising from the audit;
  - significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - the going concern assumption; and
  - Compliance with accounting standards and other legal requirements

- b) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- c) To review the external auditor's management letter and management's response;
- d) To do the following, in relation to the internal audit function:-
  - review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit plan, processes and results of the internal audit assessments and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- e) To monitor the integrity of the Company's financial statements;
- f) To report its findings on the financial and management performance, and other material matters to the Board;
- g) To consider the major findings of internal investigations and management's response;
- h) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;
- i) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- j) To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
- k) To assess and monitor the independence and qualification of the Company's independent auditor;
- l) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- m) To monitor the performance of the Company's internal audit function;
- n) To determine the remit of the internal audit function;
- o) To review the adequacy and effectiveness of risk management, internal control and governance systems relating to the accounting and reporting practices of the Company;
- p) To consider any related party transactions 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;
- q) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

- r) To monitor the Company's compliance with relevant laws, regulations and code of conduct relating to the accounting and reporting practices of the Company;
- s) To consider and examine such other matters as the ARMC considers appropriate;
- t) To advise the Board of Directors and make recommendations in respect of risk management as to the following matters:-
  - To monitor risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the Board;
  - Review the Risk Register and ensure that all risks are well managed;
  - Review the enterprise risk scorecard and determine the risks to be escalated to the Board once a year; and
  - Provide a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company's annual report.
- u) To consider other topics as defined by the Board.

The Audit Committee has no executive powers to implement its recommendations on behalf of the Board but to report its recommendations back to the Board for its consideration and implementation.