



Feytech Holdings Berhad

Registration No. 202301013791 (1507713-V)

Terms of Reference of the Audit and Risk
Management Committee

Adopted by Board : 28th August 2023
Effective Date : 28th August 2023

1. OBJECTIVES

- 1.1 The primary function of the Audit and Risk Management Committee (“the **Committee**”) established by the Board of Directors (“**Board**”) is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the financial reporting process, internal controls and risk management of the Company and its subsidiaries (collectively “**Group**”) as follows:-
- (a) oversees the Group’s financial reporting process;
 - (b) oversees the Group’s risk management and system of internal control;
 - (c) review and evaluates the appointment and performance of internal auditors and external auditors; and
 - (d) ensuring the adequacy of controls in the processes and procedures undertaken in accordance with applicable laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.

2. COMPOSITION OF THE COMMITTEE

- 2.1 Members of the Committee shall be appointed by the Board amongst its Directors and shall comprise at least three (3) members, all of whom must be Non-Executive Directors, and a majority of whom must be Independent Non-Executive Directors.
- 2.2 All members of the Committee should be financially literate and have sufficient understanding of the Company’s business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s reporting process.
- 2.3 The Chairman of the Board must not be a member of the Committee.
- 2.4 At least one (1) member of the Committee:-
- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) if he/she is not a member of the MIA, he/she must have at least three (3) years’ working experience; and
 - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) 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) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2.5 No Alternate Director shall be appointed as a member of the Committee.

- 2.6 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.
- 2.7 The term of office, the effectiveness and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with this Terms of Reference.
- 2.8 Where the members of the Committee for any reason are reduced to less than three (3), the Board shall base on the recommendation of the Nomination Committee, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

3. CHAIRMAN

- 3.1 The Chairman of the Committee must be an Independent Non-Executive Director.
- 3.2 If the Chairman of the Committee is not present within fifteen (15) minutes of the time appointed for holding the meeting or is unable/unwilling to chair the meeting, the members of the Committee present shall elect one (1) of them, of whom is an Independent NonExecutive Director, to be the Chairman of the meeting.

4. SECRETARY

- 4.1 The Company Secretary shall be the Secretary of the Committee.
- 4.2 The Company Secretary, in consultation with the Chairman of the Committee, shall draw up the agenda and notice of the meeting. The notice of the meeting, together with the meeting materials, shall be circulated at least five (5) business days or shorter notice where it is unavoidable, prior to each meeting to the members of the Committee.
- 4.3 The notice of every meeting shall be given in writing and served to the Committee members either personally or by fax, e-mail, post or courier to his/her address in the Register of Directors or to the address provided by the Committee members, as the case may be.

5. QUORUM AND MEETING PROCEDURES

- 5.1 The Committee shall meet at least four (4) times each financial year, or more frequently as circumstances may dictate. The Chairman may request for additional meetings when required or upon request made by any Committee member, the Internal Auditors or the External Auditors.
- 5.2 The quorum for the meeting shall be two (2) members, and the majority of members present must be Independent Non-Executive Directors. No business shall be transacted unless a quorum is present either in person or by telephone, television, video conferencing or any other audio and/or visual device which permits instantaneous communication.

- 5.3 If any member is unable to be physically present, he/she may choose to participate by means of a conference telephone or any other audio, audio-visual, or communication equipment which allows all persons participating in the meeting to hear and speak with each other and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.
- 5.4 A Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all Committee members as a whole to participate for the entire duration of the virtual meeting, provided the following conditions are met:-
- (a) all the Committee members for the time being entitled to receive notice of the Committee meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and
 - (b) a Committee member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and a Committee member shall be conclusively presumed to have been present and have always formed part of the quorum during such a meeting until such notified time of his/her leaving the meeting.
- 5.5 The main venue of the meeting shall be the place where the Chairman of the meeting is present.
- 5.6 A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the Chairman has the casting vote. The Chairman shall not have a casting vote when only (2) members (one of whom is the Chairman) form a quorum or when only two members are competent to vote on the question at issue.
- 5.7 Any member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, must declare his/her interest in the matters and he/she shall abstain from deliberating and voting.
- 5.8 The Committee may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company, who the Committee thinks fit, to attend the meetings (specific to the relevant meeting) to assist and provide pertinent information as necessary.
- 5.9 The Committee shall meet at least once a year with the internal and external auditors without the presence of any executive Board members, management or employees. In addition, the Chairman, Internal Auditors and External Auditors may request for additional private session with the Committee to discuss any matter of concern if they consider necessary.

6. KEEPING AND INSPECTION OF MINUTES

- 6.1 The Company shall cause minutes of all proceedings of the Committee meeting to be entered in books for that purpose.

- 6.2 Minutes of each meeting, including virtual meetings shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.
- 6.3 The books containing the minutes of meetings shall be kept by the Company at the Registered Office or a place determined by the Board pursuant to the Companies Act 2016 and shall be open for inspection by any Committee member or Board member.
- 6.4 The minutes of each Committee meeting shall be distributed to the Board members for notation.

7. WRITTEN RESOLUTIONS

- 7.1 A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.
- 7.2 The resolution may consist of several documents in like form, each signed by one (1) or more Committee members. Such document may be accepted as sufficiently signed by a Committee member if it is transmitted to the Company by facsimile or other electrical or digital written message, which include a signature of the said Committee member.

8. REPORTING

- 8.1 The Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendations to the Board for approval, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

9. POWER AND AUTHORITY

- 9.1 The Committee 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;
 - (b) have the resources which are required to perform its duties;
 - (c) have full and unrestricted access to all information and documents which are required to perform its duties, as well as to the internal and external auditors, and management of the Group;
 - (d) be able to obtain independent professional or other advice and invite persons with relevant experience to attend the meetings at the cost of the Company, if necessary;
 - (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
 - (f) have access to advice and services of the Company Secretary; and

- (g) where the Committee is of the view that the matter, they reported to Board has not been satisfactorily resolved, resulting in a breach of the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”), the Committee shall promptly report such matter to Bursa Securities.

10. DUTIES AND RESPONSIBILITIES

10.1 In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities:-

10.1.1 Financial Reporting

- (a) Review the quarterly results and the year-end financial statements of the Group, before submission to the Board for approval, focusing particularly on:-
- (i) changes in or implementation of major accounting policy changes;
 - (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) significant adjustment arising from the audit;
 - (iv) major judgement areas;
 - (v) the going concern assumption; and
 - (vi) compliance with accounting standards, regulatory and other legal requirements.
- (b) Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the company’s financial position and performance.
- (c) Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.
- (d) Understand non-financial information which is relevant in assisting the Committee to gain further insights on the Company’s performance and enhance the integrity of financial reporting.
- (e) Ensure that the financial statements are consistent with operational and other information, where there are significant matters requiring judgement.

10.1.2 External Auditors

- (a) Assess the suitability, objectivity and independence of the external auditor on an annual basis based on established policies and procedures, and the annual performance evaluation of the external auditor undertaken by the Committee. The policies and procedures should include the following considerations:-

- (i) criteria to decide on the appointment and re-appointment of the external auditor. The criteria should include an assessment of the competency, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider the information as presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report, including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
 - (ii) appropriateness of audit fees to support a quality audit;
 - (iii) non-audit services must be approved by the Committee before they rendered by the external auditor and its affiliates, while taking into account the nature of the non-audit services and the appropriateness of the level of fees;
 - (iv) obtain written assurance from the external auditor 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; and
 - (v) annual evaluation on the performance of the external auditor by the management and the Committee.
- (b) Consider and recommend to the Board on the appointment or re-appointment of external auditor and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process.
- (c) Review the following and report the same to the Board:-
- (i) any letter of resignation from the external auditor or proposal for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditor, if applicable; and
 - (ii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- (d) Review the following with the external auditor and report the same to the Board:-
- (i) audit plan, its scope and nature, including any changes to the scope of the audit plan;
 - (ii) audit report;
 - (iii) evaluation of the system of internal controls:

- (iv) the assistance given by the employees and management to the external auditors, including any difficulties or disputes encountered during audit; and
- (v) external auditor's management letter and management's response thereto.

10.1.3 Internal Audit Function

- (a) Mandate the Internal Audit function to report directly to the Committee;
- (b) 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;
- (c) Review the internal audit plan or charter, programme, processes, and the reporting structure;
- (d) Review the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors;
- (e) Approve any appointment or termination of internal audit member of the Internal Audit function;
- (f) Review the appraisal or evaluation on the performance of the internal audit function on an annual basis;
- (g) Review or take cognisance of resignation of internal audit staff member (for inhouse internal audit functional) and provide the Internal Auditors/ resigning staff member an opportunity to submit the reasons for resigning;
- (h) Review the assistance given by the employees and Management to the Internal Auditors, including any difficulties or disputes encountered during internal audit; and
- (i) Review any special audit which the Committee deems necessary.

10.1.4 Risk Management and Internal Control

- (a) Establish an adequate and effective Group's risk management and internal control framework;
- (b) Review the risk management framework, policies and processes, include identifying, managing, monitoring and mitigating the significant risks of the Group, as well as evaluate the overall adequacy and effectiveness of the system of internal control and recommend to the Board for approval;
- (c) Review and assess the Group's level of risk appetite and risk tolerance;
- (d) Review the significant risks identified (including operational, financial, regulatory compliance, sustainability reporting and reputational risks) and assess the mitigating actions put in place to manage these risks; and

- (e) Review the adequacy of resources in managing the risk management and internal control framework.

10.1.5 Related Party Transactions (“RPT”), Recurrent RPT (“RRPT”) and Conflict of Interest (“COI”)

- (a) Establish comprehensive procedures for identifying, evaluating, approving and reporting all RPT and RRPT, and COI situations;
- (b) Review and report to the Board any RPT, RRPT and COI situation that arise, persist or may arise within the Group including any transaction, procedures or course of conduct that raises question on management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
- (c) Review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms no more favourable to the related parties than those available to the public and make recommendation to Board; and
- (d) Review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not to the detriment of the minority shareholders and make recommendation to Board.

10.1.6 Others

- (a) Review all financial related reports including Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Sustainability statement, Corporate Governance Overview Statement and Corporate Governance Report as required by the Listing Requirements for inclusion in the Annual Report;
- (b) Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);
- (c) Obtain regular updates from the management regarding compliance matters;
- (e) Review regulatory and compliance reports, and any other reports within the purview of the Committee;
- (f) Periodically review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy;
- (g) Review implementation and adequacy of Group’s business continuity plan;
- (h) Report any suspected frauds/ irregularities, serious internal control deficiencies, suspected infringement of laws, rules and regulations that warrants the attention of the Board; and

- (i) Carry out any other functions that may be mutually agreed upon by the Committee and the Board.

11. REVIEW OF THE WRITTEN TERM OF REFERENCE

11.1 This written term of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Committee's responsibilities. Any amendments to this term of reference must be approved by the Board.

11.2 This written term of reference will be made available on the Company's website.

12. APPROVAL

The Terms of Reference was reviewed and approved by the Board of Directors on 28th August 2023.