



TECHNA-X BERHAD

Registration No.: 200601012477 (732227-T)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

(Revised and adopted on 8 April 2022)

1. Objectives

The principal objectives of the Audit and Risk Management Committee ("**ARMC**") are to assist the Board of Directors in discharging its statutory and fiduciary duties and responsibilities relating to internal controls, accounting and reporting practices, compliance, and risk management of the holding company, and each of its subsidiaries. In addition, the ARMC shall:

- (a) evaluate the quality of the audits performed by the Internal and External auditors;
- (b) provide assurance that the financial information presented by the Management is relevant, reliable, and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct;
- (d) determine the quality, adequacy, and effectiveness of the Group's control environment; and
- (e) assess and monitor the key business risks to safeguard the shareholders' investments and the Group's assets.

2. Composition of members

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

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

Collectively, the ARMC should possess a wide range of necessary skills to discharge its duties. All the ARMC members should be financially literate and are able to understand the matters under the ARMC's purview, including the financial reporting process. At least one (1) ARMC member:-

- (a) shall be a member of the Malaysian Institute of Accountants ("**MIA**"); or



(Terms of Reference of the Audit and Risk Management Committee - cont'd)

- (b) if he is not a member of the 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.
- (c) fulfils such other requirements as prescribed by Bursa Securities.

No Alternate Director shall be appointed as an ARMC member.

A former partner¹ of the external audit firm of the Group is required to observe a cooling-off period of at least three (3) years before being appointed as an ARMC member.

All the ARMC members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices, and rules.

Retirement and resignation

If an ARMC member resigns, dies, or for any reason ceases to be a member or Chairperson, resulting in non-compliance to the composition criteria as stated in paragraph 2 above, the Board and the ARMC shall within three (3) months of the event appoint such number of the new member(s) and/or Chairperson of the ARMC as may be required to fill the vacancy.

3. Chairperson

The ARMC Chairperson shall be an Independent Non-Executive Director appointed by the Board of Directors from amongst the ARMC members. The ARMC Chairperson shall not be a Chairperson of the Board.

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

The ARMC Chairperson, together with other members of the ARMC, should ensure, amongst others, that:-

- i) the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and addresses these matters;

¹ This applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting and etc.



(Terms of Reference of the Audit and Risk Management Committee - cont'd)

- ii) the ARMC appropriately communicates its insights, views, and concerns about relevant transactions and events to Internal and External Auditors;
- iii) the ARMC's concerns on matters that may affect the Group's financial or audit are communicated to the External Auditors; and
- iv) there is coordination between Internal and External Auditors.

4. Terms of Office

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

5. Secretary(ies)

The Secretary(ies) of the ARMC shall be the Company Secretary(ies).

6. Meetings

The ARMC shall meet regularly, with due notice of issues to be discussed, and record its conclusions in discharging its duties and responsibilities. In addition, the Chairperson may call for additional meetings at any time at the Chairperson's discretion.

Upon the request of the External Auditor, the ARMC Chairperson shall convene an ARMC meeting to consider any matter the External Auditors believe should be brought to the attention of the ARMC, Board of Directors, or shareholders.

Notice of ARMC meetings shall be given to all the ARMC members unless the ARMC waives such requirement.

The ARMC Chairperson shall engage on a continuous basis with the Senior Management, such as the Chairperson of the Board, the Managing Director/Chief Executive Officer, the Executive Directors, the Finance Controller, the Internal Auditors, and the External Auditors, in order to be kept informed of matters affecting the Group.

The Finance Controller, a representative of the Internal Auditors, and a representative of the External Auditors, should normally attend meetings. Other Board members and employees may attend meetings upon the ARMC's invitation. However, the ARMC shall meet with the External Auditors and Internal Auditors without executive Board members present at least twice a year and whenever necessary.



(Terms of Reference of the Audit and Risk Management Committee - cont'd)

Questions arising at any ARMC meeting shall be decided by a majority of votes of the members present, and in the case of equality of votes, the ARMC Chairperson shall have a second or casting vote.

7. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each ARMC member and the other Board members.

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

8. Quorum

The quorum for the ARMC meeting shall be the majority of members present, who must be Independent Directors.

9. Circular Resolutions

A resolution in writing signed by a majority of the ARMC members, for the time being, shall be as valid and effectual as if it had been passed at an ARMC meeting duly called and constituted. Any such resolution may consist of several documents in like form, each signed by one (1) or more ARMC members. Any such document may be accepted as sufficiently signed by an ARMC member if transmitted to the Company by telex, telegram, cable, facsimile, or other electrical or digital written messages to include a signature of an ARMC member.

10. Reporting

The ARMC Chairperson shall report to the Board of Directors, either formally in writing or verbally, on the proceedings of each meeting and on matters as it considers appropriate 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 of Directors for investigation and report.

11. Authority

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



(Terms of Reference of the Audit and Risk Management Committee - cont'd)

- (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 the ARMC members.
- (b) have full and unlimited/unrestricted access to all information and documents/resources required to perform its duties and to the Internal and External Auditors and Senior Management of the Company and the Group.
- (c) be able to obtain independent professional or other advice and invite outsiders with relevant experience and expertise to attend, if necessary.
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any).
- (d) convene meeting(s) with the Internal Auditors and/or External Auditors, without the presence of executive Board members and the Management, whenever deemed necessary.
- (e) where the ARMC is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved, resulting in a breach of the Listing Requirements, the ARMC shall promptly report such matter to Bursa Securities.

12. Duties and Responsibilities

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

- (a) To review the quarterly reports on a consolidated basis and year-end financial statements of the Group before submission to the Board of Directors, focusing particularly on:-
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - significant matters highlighted, including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed;
 - the going concern assumption; and
 - compliance with applicable accounting standards and other legal requirements.
- (b) To discuss problems and reservations arising from the interim and final audits and any matter the External Auditors may wish to discuss (in the absence of the Management, where necessary);



(Terms of Reference of the Audit and Risk Management Committee - cont'd)

- (c) To review the External Auditor's audit reports, management letter and recommendations, and the Management's response;
- (d) To monitor the integrity of the Company's financial statements;
- (e) To consider the appointment and/or re-appointment of the External Auditors, the audit fee, and any questions of resignation or dismissal, including recommending the nomination of person(s) as the External Auditors;
- (f) To govern the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that the External Auditors must follow;
- (g) To annually assess the External Auditors' suitability, objectivity, and independence to safeguard the Audited Financial Statements' quality and reliability.
- (h) To review with the External Auditors, 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 review with the External Auditors his evaluation of the internal control system and his audit report;
- (j) To discharge the following duties and responsibilities in relation to the internal audit function:-
 - 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;
 - review the internal audit reports and results of the internal audit process and ensure that appropriate and necessary corrective actions are taken on the recommendations of the internal audit function;
 - review the internal audit plan, processes, internal audit reports, results and findings of the internal audit assessments, fraud investigations undertaken, and whether Management has taken any appropriate actions and steps in response to the recommendations on audit findings;
 - review any appraisal or undertake an assessment of the performance of the Internal Auditors or members of the internal audit function;
 - approve any appointment or termination, or removal of Internal Auditors or members of the internal audit function; and



(Terms of Reference of the Audit and Risk Management Committee - cont'd)

- (k) To consider the major findings of internal investigations and management's response;
- (l) To report its findings on the financial and management performance and other material matters to the Board of Directors;
- (m) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group, including any transaction, procedure, or course of conduct that raises questions of management integrity;
- (n) To monitor the Company's compliance with relevant laws, regulations, and code of conduct relating to the accounting and reporting practices of the Company;
- (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 review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- (q) To verify the allocation of employees' share option scheme ("**ESOS**")/ share issuance scheme ("**SIS**") in compliance with the criteria as stipulated in the by-laws of ESOS/ SIS of the Company, if any, at the end of the financial year;
- (r) To identify and monitor the principal risks and ensure the implementation of appropriate internal controls and mitigation measures.
- (s) To consider other topics as defined by the Board; and
- (t) To consider and examine such other matters as the ARMC considers appropriate.

** Note: These terms of reference may change from time to time to fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad.*
