



INSTITUTE OF CORPORATE DIRECTORS MALAYSIA

Registration No. 201701025110 (1239276-V)

(Incorporated in Malaysia)

Terms of Reference of Audit and Risk Management Committee

1. Status

- 1.1 The Audit and Risk Management Committee (“ARMC”) is a committee formed by the Board of Directors (“Board”) of Institute of Corporate Directors Malaysia (“Company”).

2. Composition of Audit and Risk Management Committee

- 2.1 The ARMC shall be appointed by the Board from amongst themselves and shall comprise at least two (2) directors, all of whom shall be Non-Executive directors.
- 2.2 The Quorum for the ARMC meeting shall be two (2) members, both of whom must be non-executive directors
- 2.3 All members of the ARMC should be financially literate and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s financial reporting process. They must also possess sound judgement, objectivity, integrity and sufficient management experience and knowledge of the industry. All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.4 At least one (1) member of the Committee shall be an accountant with appropriate professional qualifications or related accounting and financial management expertise.
- 2.5 No Alternate Director shall be appointed as a member of the ARMC. A former key audit partner of the Company shall not be eligible to be considered or appointed as a member of the ARMC until the expiry of a cooling-off period of at least two (2) years from the date he/she ceases to be the key audit partner.
- 2.6 The members of the Committee must elect a chairman of the Committee (“Chairman”) among themselves. The Chairman of the ARMC shall not be the Chairman of the Board. In the absence of the Chairman, the members present shall elect a chairman from amongst them to chair the meeting.
- 2.7 The appointment of a Committee member shall terminate when the member ceases to be a Director.
- 2.8 If a member of the ARMC resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2.1 above, the Board shall, 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 two (2) members, provided always that the requirement under subparagraph 2.3 must be complied with.



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- 2.9 All members of the ARMC, including the Chairman, will hold office only so long as they remain as Non-Executive Directors of the Company.
- 2.10 Any member of the ARMC may relinquish his/her membership in the ARMC with prior written notice to the Company Secretary after consultation with the Board.

3. Primary Purpose

The ARMC is responsible for:-

- (a) assisting the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that the Company has in place a sound and robust internal control framework and risk management framework;
- (b) ensure that such frameworks have been effectively implemented to enhance the Company's ability to achieve its strategic objectives;
- (c) reviewing financial statements and financial reporting process as well as management of financial and operational risks;
- (d) reviewing reports from external auditors;
- (e) overseeing the implementation of the SpeakUp Policy and Procedures for the Company;
- (f) reviewing the ARMC's terms of reference as conditions dictate from time to time; and
- (g) any other activities, as authorised by the Board.

4. Responsibilities

The responsibilities of the ARMC shall be to:

Financial Reporting

- 4.1 Review the Company's quarterly results and year-end financial statements with Management and External Auditors prior to submission to the Board, focusing particularly on:-
- (a) changes in or implementation of major accounting policy changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgement made by Management, significant and unusual events or transactions and how these matters are addressed;
 - (c) significant adjustments arising from the audit;



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- (d) the going concern assumption; and
- (e) compliance with the applicable accounting standards and other legal requirements.

4.2 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.

External Auditors

4.3 Consider and recommend to the Board for approval the appointment or reappointment of external auditors and their fees (audit and non-audit), upon assessment of the independence and capabilities of the external auditors as well as the effectiveness of the external audit process.

4.4 Review the following and report the same to the Board:-

- (a) any letter of resignation from the external auditors or suggestions for their dismissal; and
- (b) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.

4.5 Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the ARMC which is supported by the assessment conducted by relevant Management members. The policies and procedures must include among others consideration on:-

- (a) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
- (b) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- (c) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout on the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

4.6 Review the following with the external auditors and report the same to the Board:-

- (a) audit plan;
- (b) audit report;
- (c) the assistance given by the employees to the external auditor;



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- (d) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditor; and
- (e) external auditors' management letter and management's response thereto.

Whistleblowing

- 4.7 Exercise its powers and carry out its responsibilities as may be required from time to time under the SpeakUp Policy and Procedures for the Company.

Risk

- 4.8 Ensure that an appropriate risk reporting framework is established to facilitate reporting of risks to Management and the Board.
- 4.9 Evaluate the risks as reported under the framework prior to reporting to the Board.

Ethics and Integrity

- 4.10 To provide oversight of the culture of integrity and monitor the “tone at the top” set across the organisation by the Chief Executive Officer and the Senior Management.
- 4.11 To consider and challenge the sufficiency of the ongoing measures being adopted by the organisation to ensure adoption of an appropriate culture within the organisation, including the adequacy of the Code of Conduct and ethics programme.
- 4.12 To review if there is effective communications strategy for the ethics programme to reinforce ethical values and good practice in the organisation, and effective process to evaluate the overall ethical health and culture of ICDM

Others

- 4.13 Review and report to the Board any Related Party Transaction and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.14 Carry out any other function that may be mutually agreed upon by the ARMC and the Board.

5. Internal Auditors

- 5.1 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.



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- 5.2 Review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken, and whether or not appropriate action is taken on the recommendations.
- 5.3 Ensure the internal audit functions is independent of the activities it audits and reports directly to the Committee. The Committee shall review his performance on an annual basis. The internal auditors should have relevant qualifications for providing assurance to the Committee that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/ or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
- 5.4 To receive the internal audit reports and ensure that the internal audit recommendations are implemented.
- 5.5 To report to the Board on the adequacy of internal controls, in light of the internal audit work performed and report received.

6. Authority

The ARMC shall have the authority to:-

- 6.1 Convene meetings with the external auditors, excluding the attendance of other directors and employees of the Company, whenever deemed necessary and such meetings with the external auditors shall be held at least twice a year;
- 6.2 Obtain, at the expense of the Company, external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;
- 6.3 Investigate any matter within its terms of reference, have the resources which it needs to do so and have full and unrestricted access to information pertaining to the Company and the Management whereby all employees of the Company are required to comply with requests made by the ARMC;
- 6.4 Have direct communication channels with the external auditors, and also to engage with the Management on a continuous basis;
- 6.5 Appoint, at the expense of the Company, an independent party to conduct or to assist in conducting any investigation, upon the terms of appointment to be approved by the ARMC;
- 6.6 Authorise the ARMC Chairman for the time being to carry out the ARMC's responsibilities as required under the SpeakUp Policy and Procedures for the Company; and
- 6.7 Have access to the advice and services of the Company Secretary.



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7. Notice and Meetings

- 7.1 The ARMC shall meet at least once a quarter, 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.
- 7.2 Upon the request of the external auditor, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditor believes should be brought to the attention of the directors or members.
- 7.3 The Company Secretary, in consultation with the Chairman of the ARMC, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated at least five (5) working days prior to each Committee meeting unless the ARMC waives such requirement.
- 7.4 If any member is unable to be physically present, he/she may choose to participate via video or tele-conferencing or any other means of audio-visual communications and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.
- 7.5 Minutes of each meeting shall be kept and distributed to each member of the ARMC and also to the other members of the Board of Directors.
- 7.6 Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the ARMC when there are three (3) members and more. However, if the number of the members of the ARMC is two (2), the votes shall be unanimous.
- 7.7 In the event of an equality of votes, the Chairman of the ARMC shall not be entitled to a second or casting vote. Such matter would be escalated to the Board for decision. In addition, any dissenting opinion of the members of the ARMC should be reported to the Board.
- 7.8 A member of the ARMC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her.
- 7.9 The ARMC has the full discretion to invite such other persons or officers of the Company to its meeting, as it deems necessary.

8. Communication to the Board

- 8.1 The ARMC shall cause the minutes of each ARMC meeting to be tabled to the Board for notation.



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- 8.2 The ARMC Chairman shall report on each meeting to the Board regarding all relevant matters and appropriate recommendations, in a written report for noting or approval by the Board.
- 8.3 The ARMC may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.

9. Circular Resolution

- 9.1 Any resolution in writing signed by All members of the ARMC for the time being shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held.
- 9.2 All such resolutions shall be described as "ARMC Members' Circular Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book.
- 9.3 Any such resolution may be contained in a single document or may consist of several documents in the like form, each signed by one (1) or more members.
- 9.4 The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, email or other forms of electronic communications.

10. Secretary

- 10.1 The Company Secretaries of the Company shall be the Secretary of the ARMC.
- 10.2 The Company Secretary shall be responsible for preparation of the agenda in consultation with the Chairman, and distribution to all the members the papers to be deliberated at the meeting.

Notes:

- 1. This Terms of Reference for the Audit and Risk Management Committee was approved and adopted by the Board on 20 March 2020.
- 2. This Terms of Reference for the Audit and Risk Management Committee was revised and approved for adoption by the Board on 27 January 2021.
- 3. This Terms and Reference for the Audit and Risk Management Committee was revised and approved for adoption by the Board on 10 May 2021.