



Terms of Reference

Audit & Risk Management Committee

Table of Contents

1.	Objectives	1
2.	Membership	2
3.	Authority	2
4.	Duties & Functions	3
5.	Meeting procedures	8
6.	Disclosure	9
7.	Reporting.....	10
8.	Review of the Committee	10
9.	Approval & Revision to the Terms of Reference	10

1. Objectives

- 1.1 The primary function of the Audit & Risk Management Committee (“**ARMC**” or “**the Committee**”) of Cnergenz Berhad (“**Cnergenz**” or “**the Company**”), in line with the Malaysian Code on Corporate Governance revised and updated on 28 April 2021, is to assist the Board of Directors of the Company (“**Board**”) in the discharge of its responsibilities in relation to accounting and financial reporting practices, internal controls as well as identifying principal risks and implementing appropriate systems and risk assessment processes in order to manage the overall risk exposure of Cnergenz and its subsidiary company(ies) (“**Cnergenz Group**” or “**the Group**”).
- 1.2 The ARMC acts on behalf of the Board and shall assist the Board in:
- (a) overseeing a formal and transparent arrangement as well as appraising the quality of audits conducted by both internal and external auditors;
 - (b) complying with specified financial reporting standards and the required disclosures developed and administered by Bursa Malaysia Securities Berhad (“**Bursa Securities**”) under its ACE Market Listing Requirements (“**ACE LR**”), relevant accounting standard bodies, and any other laws and regulations as amended from time to time;
 - (c) to ensure consistency with Bursa Securities’ commitment to encourage high standards of corporate disclosure and to adopt best practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to all the Company’s shareholders;
 - (d) maintaining open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
 - (e) relieving the full Board of Directors from detailed involvement in the review of the results of internal and external audit activities and yet ensure that audit findings are brought to the highest level for consideration;
 - (f) overseeing compliance with applicable laws and regulation and observance of a proper code of business conduct;
 - (g) overseeing financial reporting;
 - (h) review and recommend the Group’s risk management policies and strategies for the Board’s approval. This includes reviewing major investment business proposals and management’s assessment of the key associated risks, including funding options and costs, and investment returns prior to the Board’s approval;
 - (i) integrate effective governance structures and processes with performance-focused risk management and internal control at every level of the Group and across all operations;
 - (j) apply the principles and best practices recommendations of corporate governance, sustainability and corporate responsibility and to ensure compliance with applicable regulatory and legal requirements;
 - (k) fulfil the Board’s corporate governance, risk management and statutory responsibilities in order to effectively manage the overall risk exposure of the Group; and

- (l) establish an effective risk management and internal control framework and ensure the adequacy and effectiveness of the framework.

2. Membership

- 2.1 The Committee shall be appointed by the Board from amongst the Directors of the Company and shall be composed exclusively of Independent Non-Executive Directors of no fewer than three (3) members.
- 2.2 The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants, or alternatively a person who must have at least three (3) years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of Accountants specified in Part II of the said Schedule, or alternatively a person who has fulfilled such other requirements as prescribed or approved by Bursa Securities.
- 2.3 No alternate Director shall be appointed as a member of the Committee.
- 2.4 The members of the Committee shall elect from among their number a Chairman who is non-executive and independent.
- 2.5 In the event of any vacancy in the ARMC recurring in non-compliance with the requirements of the ACE LR, the Board shall, within three (3) months of the event, fill the vacancy.
- 2.6 The Committee has a policy that requires a former key audit partner who made key decisions or judgements on significant matters with respect of the audit of the financial statements of the group, to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

3. Authority

- 3.1 The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:
 - (a) investigate any activity within the Committee's terms of reference;
 - (b) have resources which are reasonably required to enable it to perform its duties;
 - (c) have full and unrestricted access to any information pertaining to the Company or the Group;
 - (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
 - (e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
 - (f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;

- (g) make decisions on matters which fall within the purpose and responsibilities of the ARMC;
 - (h) seek information and have unrestricted access to information pertaining to the Group and the Management, to fulfil its primary purpose and responsibilities; and
 - (i) appoint an independent party to conduct or to assist in conducting any investigation, upon the terms of appointment to be approved by the Board.
- 3.2 The Chairman of the ARMC shall engage on a continuous basis with senior management, such as the Chairman of the Board, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

4. Duties & Functions

- 4.1 The Committee will undertake the following responsibilities and functions in fulfilment of Rule 15.12 of the ACE LR and report on the same to the Board.

External Audit

- (1) Review the audit scope, nature and plan with external auditors to ensure that it has the necessary authority to carry out its work, including any changes to the planned audit scope and ensure co-ordination where more than one firm of auditors is involved and report on the same to the Board.
- (2) Review external audit reports and management letters from the external auditors to ensure that prompt corrective actions are taken to address issues (including any deficiencies in the internal control system) highlighted and report on the same to the Board
- (3) Discuss problems and reservations, if any, arising from the interim and final audits, and any matter (including all key audit matters highlighted in the auditors' report) which the external auditors wish to discuss in the absence of the management, where necessary.
- (4) Review major audit findings and the Management's response during the year with the management, external auditors and internal auditors, including the status of previous audit recommendations.
- (5) Review the assistance and cooperation rendered by the Group's officers to the external auditors and difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- (6) Set policies and procedures to assess the suitability, objectivity and independence of the external auditors. Consider and make recommendations to the Board in relation to the nomination and re-appointments of external auditors and their audit fees by taking into account the objectivity, suitability, competence, resource capacity and independence of the external auditors, the services and audit fee (to ensure the balance between objectivity, quality of audit and value for money) and any question of resignation or dismissal including any written explanations, and the letter of resignation from external auditors, if applicable.

The assessment should also consider information presented in the Annual Transparency Report of the audit firm, if such report is prepared by the external auditors.

- (7) Review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for reappointment and report the same to the Board.
- (8) Review the non-audit services provided by the external auditors and/or its network firms to the Company for the financial year, including the nature and extent of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.
- (9) Ensure the independence of external auditors by periodically reviewing the written statement 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.

Internal Audit

- (10) Ensure the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to the ARMC directly. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
- (11) Approve the internal audit charter and review the adequacy of the scope, functions, competency, budget and resources of the internal audit function and whether it has the necessary authority to carry out its work.
- (12) Review the internal audit plan, processes and results of the internal audit assessments, investigation undertaken and where necessary, ensure that appropriate and prompt action is taken by management on deficiencies in controls or procedures that are identified for the recommendations of the internal audit function.
- (13) Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider with an opportunity to submit his reasons for resigning.
- (14) Approve any appointment or termination of the internal audit service provider or senior staff members of the internal audit function, namely the head of internal audit and his/her deputy, if any.
- (15) 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.
- (16) Review the assistance and co-operation given by the employees of the Group to the internal auditors.
- (17) Review the performance of the internal auditors on an annual basis.
- (18) Direct and, where appropriate, supervise any special projects or investigations to be carried out by internal auditors as and when necessary, and review investigation reports on any major defalcations, frauds and thefts and management's response.

- (19) Review the adequacy and effectiveness of internal control systems, including management information systems and the internal auditors and or external auditors' assessment of these systems and policies.
- (20) Meet with the internal auditors at least once a year without the presence of management and executive board members to exchange opinions and for the internal auditors to convey any of their concerns.

Financial Reporting

- (21) Review the quarterly and year-end financial statements of the Company, focusing particularly on the following to determine whether the financial statements taken as a whole provide a true and fair view of its financial position and performance:
 - (a) any changes in or implementation of major accounting policies changes and practices;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events and/or transactions, significant adjustments arising from the audit and how these matters are addressed;
 - (c) litigation or actions that could affect the financial position, performance or results materially;
 - (d) the going concern assumption;
 - (e) integrity of financial statements; and
 - (f) compliance with accounting standards and other legal requirements.
- (22) Review and monitor the Company's and the Group's finance function in respect of adequacy and sufficiency to support financial recording and reporting process to ensure accurate, complete, consistent and timely reporting.

Internal Control

- (23) Oversee the Group's internal control framework to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance.
- (24) Review major audit findings (including the status of previous audit recommendations) of the Group's systems of internal controls and management's responses with management, external auditors, internal auditors and other consultants (if applicable).
- (25) Report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (26) Review and approve policies and procedures on whistle-blowing established to address allegations raised by whistle-blowers, to ensure independent investigation is conducted and follow-up action is taken and highlighted to the Committee.

Risk Management Framework

- (27) Review the Enterprise Risk Management (“**ERM**”) Framework document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues and recommend changes as needed to ensure that the Group has in place a risk management policy which addresses the strategic, operational, financial and compliance risks for the Board’s approval.
- (28) Where applicable, facilitate the appointment of a dedicated senior management personnel to coordinate the **ERM** activities within the Group.

Anti-Bribery & Anti-Corruption and Whistleblowing

- (29) 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.
- (30) Ensure that management has adequate and appropriate resources needed for effective implementation of the Anti-Bribery Management System to fulfil and comply with the Malaysian Anti-Corruption Commission (“**MACC**”) Act 2009 and any amendments from time to time.
- (31) Review and approve policies and procedures on anti-corruption, and
- (32) Review the effectiveness of anti-corruption measures taken.

Risk Identification, Assessment, Monitoring and Reporting

- (33) Ensure the infrastructure, resources and systems are in place and adequate for risk management and that risk management processes for the identification, measurement and analysis, reporting, and mitigation of risks are in place within the Group and are operating in an efficient and effective manner.
- (34) Identify and communicate to the Board the key risks (present and potential) faced by the Group, their changes and management action plans to manage the risks.
- (35) Approve risk methodologies for measuring and managing risks arising from the Group’s business and operational activities.
- (36) Monitor the Group’s level of risk tolerance and risk exposure and periodically review the same to ensure that these are aligned with risk strategy and objectives.
- (37) Review effectiveness and efficiency of the key internal control procedures and processes in place to manage risks successfully and to oversee the conduct of periodic testing of the effectiveness and efficiency of the internal control procedures and processes to ensure that the system is viable and robust.
- (38) Review, together with other Committees, the management, internal auditors and external auditors, any significant risks and exposures that exist and assess the steps that the management has taken to minimise such risks to the Group.
- (39) Promote a healthy risk culture Group wide.
- (40) To consider and examine such other matters as the ARMC considers appropriate.

Strategic planning and others

- (41) Review and provide guidance to the Group's strategic plan as proposed by management vis-à-vis the Group's ERM.
- (42) Review business continuity management including emergency plans and crisis readiness. Review incidents within the scope of the ARMC and assess the remedial actions.
- (43) Review and recommend the statement on internal control and risk management.

Compliance and Others

- (44) Review procedures in place to ensure the effectiveness of the system for monitoring compliance to ensure that the Group is in compliance with the Companies Act 2016, ACE LR and other relevant legislative and reporting requirements under the applicable laws, regulations, rules, directives and guidelines.
- (45) Review the Committee's reporting and the statement with regard to the state of internal controls and risk management of the Group for inclusion in the Annual Report for the relevant financial year and report the same to the Board.
- (46) Review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and ensure that any such transaction is carried out at arm's length, on terms that are not detrimental to the Group and in the best interest of the Group and report the same to the Board.
- (47) Direct and supervise, as appropriate, any necessary investigations and review all reports on any major irregularities.
- (48) Review and assess the Committee's terms of reference as conditions dictate.
- (49) Perform any other work that is required or empowered to do by statutory legislation or guidelines as prepared by the relevant government authorities.
- (50) Undertake any other responsibilities as authorised by the Board.
- (51) Undertake continuous professional development or training to keep abreast with relevant developments in accounting and auditing standards, practice and rules or in any other relevant areas.

5. Meeting procedures

- 5.1 The Company Secretary shall be the Secretary of the Committee and shall record attendance of all members and invitees and take minutes to record the proceedings of every meeting of the Committee.
- 5.2 The Secretary shall organise and provide assistance at ARMC meetings and have the following responsibilities:
- (a) ensure meetings are arranged and held accordingly.
 - (b) assist the Chairman of the Committee in planning the ARMC's activities.
 - (c) draw up meeting agendas in consultation with the Chairman of the Committee and maintain the minutes and draft its scheduled activities for the financial year.
 - (d) ensure structured communication channels between the Board and the ARMC.
 - (e) ensure proceedings of meetings are recorded and the minutes circulated in a timely manner and reviewed by the ARMC before disseminating them to the Board.
 - (f) ensure ARMC recommendations presented to the Board are supported by papers (from the management if so applicable) that explain the rationale for the ARMC's recommendations.
- 5.3 All minutes of meetings shall be circulated to every member of the Board.
- 5.4 The quorum for a meeting of the ARMC shall consist of not less than two (2) members, majority of members present must be Independent Non-Executive Directors.
- 5.5 The Chief Financial Officer and the Internal Auditor shall normally attend meetings.
- 5.6 Other Board members, counsels, consultants and employees may attend any particular meeting only at the ARMC's invitation, specific to the relevant meeting, as and when necessary.
- 5.7 The Committee will conduct all its meetings separately from Board meetings.
- 5.8 However, at least once a year the Committee shall meet with the external auditors and the internal auditors separately without executive Board members and Management's presence. In addition, the Management, the internal auditors and external auditors may request a private session with the Committee to discuss any matter of concern.
- 5.9 The Chairman shall call for meetings, to be held not less than four times a year. The external auditors may request a meeting if they consider one necessary.
- 5.10 A member may at any time and the Secretary shall on the requisition of a member summon a meeting of the Committee by giving the members not less than seven (7) days' notice thereof unless such requirement is waived.
- 5.11 In the absence of the Chairman, the Committee shall appoint one of its members present to chair that meeting.

- 5.12 A resolution put to vote shall be decided by a majority of votes of the members present, each member having one vote. If the votes are equal, the Chairman of the meeting has a second casting vote. However, the Chairman will not have a second casting vote where only 2 Directors form the quorum or at which only 2 Directors are competent to vote on the question at issue.
- 5.13 An ARMC member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.
- 5.14 A member of 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.
- 5.15 The Chairman of the Committee should attend the Annual General Meeting to answer any shareholders' questions on the Committee's activities.

6. Disclosure

- 6.1 The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee for inclusion in the Company's annual report. The ARMC Report shall include all the prescribed information as stated under Rule 15.15 of the ACE LR:
- (a) the composition of the ARMC, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
 - (b) the number of ARMC meetings held during the financial year and details of attendance of each member;
 - (c) a summary of the work of the ARMC in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities; and
 - (d) a summary of the work of the internal audit function.
- 6.2 The Committee shall assist the Board in preparing the following for publication in the Company's annual report:
- (a) Statement on the Company's application and extent of compliance of the principles and recommendations as set out in the MCCG; specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;
 - (b) Statement on the Board's responsibility for preparing the annual audited financial statements; and
 - (c) Statement about the state of risk management and internal control of the Group.

7. Reporting

- 7.1 The Chairman of the Committee shall, at the conclusion of each meeting, report to the Board on activities that it had undertaken and key recommendations for the Board's consideration and approval as well as follow-up status on any key recommendations from previous internal audits.
- 7.2 Where the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of ACE LR, the Committee shall promptly report such matter to Bursa Securities.

8. Review of the Committee

- 8.1 The ARMC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in these terms of reference and report the results to the Board.
- 8.2 The Board or the Nomination Committee (as authorised by the Board) must review the term of office and performance of the ARMC and each of its members at least once annually to determine whether the ARMC and members have carried out their duties and responsibilities effectively and in accordance with the terms of reference of the ARMC and ensure that the ARMC has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.
- 8.3 All assessments shall be properly documented.

9. Approval & Revision to the Terms of Reference

- 9.1 The terms of reference shall be reviewed by the Committee as and when required. All amendments to the terms of reference must be approved by the Board.
- 9.2 Upon the Board's approval, the said revision or amendment shall form part of this terms of reference and these terms of reference shall be considered duly revised or amended.
- 9.3 The terms of reference of the ARMC must be made available on the Company's website.
- 9.4 The provisions under these terms of reference have been drafted in a manner to also incorporate the provisions under the ACE LR and other statutes, regulations and guidelines applicable to the ARMC. In the event the applicable provisions of the ACE LR and/or relevant governing statutes, regulations and guidelines relating to ARMC are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this Terms of Reference shall be read and construed subject to and in accordance with the amended, modified or varied ACE LR, statutes, regulations and guidelines.