
EVD BERHAD

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE



EVD BERHAD

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EVD Berhad
(Registration No. 201901045325 (1354655-D))

Terms of Reference of Audit and Risk Management Committee

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1. Objective

The principal objectives of the Audit and Risk Management Committee (“ARMC”) is to assist the Board of Directors (“the Board”) of EVD Berhad (“the Company”) in fulfilling its statutory and fiduciary responsibilities in the Company and its subsidiaries (“the Group”). The ARMC will review the financial statements and financial reporting process, the audit process, the adequacy and effectiveness of systems for internal controls, risk management and governance, and the process for monitoring compliance with law and regulations including but not limited to Bursa Malaysia Securities Berhad (“Bursa Securities”) requirements and the Code of Ethics. The ARMC will assist the Board in ensuring that quarterly/year-end announcements to Bursa Securities for the Group are reviewed for integrity and approved for timely submission by the Board to the various authorities and the public. Nevertheless, the Board is ultimately responsible in the entire functions of the Group, with the support and assistance from the ARMC.

2. Composition of Members

The Board shall appoint the ARMC members from amongst themselves, comprising no fewer than three (3) Non-Executive Directors whereby majority of the ARMC members shall be Independent Directors. The Chairman of the Board shall not be an ARMC member. No alternate Director of the Board shall be appointed as a member of the ARMC.

All members of the ARMC should be financially literate, competent and must be able to read, analyse, interpret and understand financial statements and the financial reporting process. They must also possess sound judgement, objectivity, integrity and sufficient management experience and knowledge of the Company’s and the Group’s business.

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.

At least one (1) member of the ARMC:

- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if he is not a member of the MIA, he must have at least 3 years’ 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 of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) shall fulfil such other requirements as prescribed or approved in the ACE Market Listing Requirements (“AMLR”) of Bursa Securities.

Former partner of the external audit firm of the Company¹ shall observe a cooling-off period of at least three (3) years before being eligible to be appointed as a member of the ARMC.

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

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The members of the ARMC shall be nominated and recommended by the Nomination Committee (“NC”), thereafter to be appointed by resolution of the Board.

Retirement and resignation

If a member of the ARMC or Chairman 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 the above paragraphs, the Board shall within three (3) months of the event appoint such number of the new members and Chairman of the ARMC respectively as may be required to fill the vacancy.

3. Chairman

The Chairman of the ARMC, elected from amongst the ARMC members, shall be an Independent Director. The Chairman of the ARMC shall not be the Chairman of the Board.

The Chairman of the ARMC shall be approved by the Board.

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

The Chair of the ARMC should also attend the Company’s Annual General Meeting to answer any shareholders’ questions on the ARMC’s activities.

4. Secretary

The Secretary of the ARMC shall be the Company Secretary.

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

5. Terms of Office

The NC 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.

6. Meetings

The ARMC meetings shall be held at least once for every 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.

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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 shareholders.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the ARMC, no later than five (5) business days before the date of the meeting.

The Chairman of the ARMC shall engage on a continuous basis with senior management, the head of internal audit and the external auditor in order to be kept informed of matters affecting the Company.

The ARMC may invite any member of senior management, any representative of the external and internal auditors, other members of the Board and any other persons as deemed necessary by the ARMC to be present at any meeting.

ARMC members may participate in a meeting by means of a conference telephone or similar communications equipment, through which all persons participating in the meeting can hear and speak with each other.

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.

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.

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 ARMC shall have a second or casting vote.

7. Quorum

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

8. Circular Resolutions

A resolution in writing signed or approved by letter, telex or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting.

All such resolutions shall be described as "Audit and Risk Management Committee 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. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

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9. 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 Chairman of the ARMC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the ARMC that requires the Board's approval at the Board meeting.

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.

10. Duties and Responsibilities

The duties and responsibilities of the ARMC are as follows:

10.1 External Auditors

- (a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (b) To put in place the policy and procedures to assess the suitability and independence of external auditor;
- (c) 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;
- (d) To review the results of the external audit, any significant findings arising from the audit, recommendations and the management team's responses;
- (e) To review with the external auditor his evaluation of the system of internal controls and his audit report.
- (f) To keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence and objectivity is not impaired.

10.2 Financial Reporting

- (a) To review the quarterly and year-end financial statements of the Company, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgements 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) In undertaking this duty, the ARMC shall be entitled to rely on the assurance provided by the management team to the ARMC, on the proper maintenance of the financial records and the financial statements giving a true and fair view of the Group's operations and finances and the effectiveness of the Group's risk management and

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internal control systems, management team's representations to auditors as well as the work and the results of the external auditors, where applicable.

10.3 Internal Audit

- (a) To do the following, 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 programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function; and
 - monitor and assess the role and effectiveness of the internal audit function through reviewing the internal audit processes from time to time and, any appraisal or assessment of the performance of members of the internal audit function.
- (b) To engage independent experts periodically, or at least once every five (5) years to facilitate an objective and candid evaluation of the internal auditors, if necessary.

10.4 Related Party Transactions and Conflict of Interest

- (a) All transactions are fair, reasonable and undertaken on the Group's normal commercial terms and is in the best interest of the Group and not detrimental to the minority shareholders;
- (b) Transacted amounts fall within the mandated amount of recurrent related party transactions approved by shareholders;
- (c) Internal control procedure with regard to such transactions are sufficient and have been complied with;
- (d) Review all conflict of interest situations that arose or persist (in addition those that may arise) and the measures taken to resolve, eliminate, or mitigate the conflict of interest; and
- (e) Compliance with the relevant provisions of the AMLR.

10.5 Risk Management

- (a) To develop and recommend the Group risk policies and objectives aligned with its strategic business objectives.
- (b) To communicate Board's risk policies, objectives, responsibilities, and reporting lines to all employees across the Group.
- (c) To identify and communicate to the Board on the critical risks (present and potential) the Group faces, their changes and the management action plans to manage the risks.
- (d) To perform risk oversight and review risk profiles (Company and the Group) and regularly review and update the business units risk management processes (bi-annually).
- (e) To provide guidance to the business units on the Group's and business unit's risk appetite and capacity, and other criteria which, when exceeded, trigger an obligation to report upward to the Board.

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- (f) To keep under review the effectiveness of the Company internal control and risk management systems and review the statements to be included in the Annual Report concerning internal controls and risk management.
- (g) All other risk management matters delegated by the Board.

10.6 Other Matters

- (a) To verify the allocation of employees' share option scheme ("ESS") in compliance with the criteria as stipulated in the by-laws of ESS of the Company.
- (b) To consider other topics as defined by the Board.
- (c) To consider and examine such other matters as the ARMC considers appropriate.
- (d) To report its findings on the financial and management performance, and other material matters to the Board.

11. Reporting Responsibilities

The ARMC is required to review and recommend to the Board for approval the statement on Corporate Governance and a Statement on Risk Management and Internal Control of the Group, at the end of each financial year and to be published in the Integrated Annual Report of the Company. The items to be included are:-

- i. A narrative statement of how the Group has applied the principles set out in the latest Malaysian Code on Corporate Governance ("MCCG") to its particular circumstances;
- ii. A statement on the extent of the Group's compliance with the principles and guidance set out under MCCG and give reasons for any areas of departure with timelines on when the departures from the principles will be applied within a reasonable time; and
- iii. A statement after the same is reviewed by the external auditors with regard to the state of risk management and internal control and which the results are thereof reported to the Board.

12. Authority

The ARMC shall, in accordance with a procedure to be determined by the Board of Directors 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.

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- (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity (if any).
- (e) 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 AMLR, the ARMC shall promptly report such matter to Bursa Securities.
- (f) to prepare the annual ARMC report to the Board for inclusion in the Annual Report as per Rule 15.15 of the AMLR in which must include the following: -
 - i. 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);
 - ii. the number of ARMC meetings held during the financial year and details of attendance of each ARMC member;
 - iii. a summary of the work of the ARMC in the discharge of its functions and duties for that financial year of the listed corporation and how it has met its responsibilities; and
 - iv. a summary of the work of the internal audit function.

13. Review of Terms of Reference

The ARMC shall recommend any changes to its terms of reference in such manner as it deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary and when there are any changes to the Malaysian Code of Corporate Governance, AMLR or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the ARMC's role.

Approved and adopted by the Board of Directors on 15 November 2023.