



SENTORIA GROUP BERHAD

(Company No. 463344-K)

AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

A. Composition

- (1) The Audit and Risk Management Committee ["Committee"] shall be appointed by the Board from amongst the Non-Executive Directors and must fulfil the following requirements:
 - (a) the Committee must comprise not fewer than three (3) members;
 - (b) a majority of the members of the Committee must be Independent Directors;
 - (c) at least one (1) member of the Committee:
 - (i) shall be a member of the Malaysian Institute of Accountants; or
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
 - (aa) shall have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) must be a member of one of the associations of accountants specified in Part II of 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ["Bursa Securities"]; and
 - (d) An Alternate Director shall not be appointed as a member of the Committee.
- (2) The members of the Committee shall elect a Chairman among themselves who shall be an Independent Non-Executive Director. In the absence of the Chairman, the members present must elect a chairman for the meeting amongst the members present.
- (3) Any vacancy in the Committee resulting in the non-compliance with the above paragraphs (1) and (2) must be filled within three (3) months.
- (4) All members of the Committee shall hold office only so long as they are Directors.
- (5) The Chairman of the Audit and Risk Management Committee is not the Chairman of the Board.
- (6) Any former key audit partner must observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit and Risk Management Committee. "Key audit partner" includes the engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgements on significant matters with respect to the audit of the Company's financial statements on which the auditor will express an opinion.

B. Secretary

The Company Secretary/ies of the Company or such substitute as appointed by the Board from time to time shall act as the Secretary of the Committee.

The Secretary shall record all proceedings and minutes of the Committee's meetings which shall be kept and circulated to all members of the Committee and of the Board.

C. Duties and Responsibilities

The main duties and responsibilities of the Committee shall be:

- (1) Review the following with external auditors:
 - (a) audit plans, audit reports, major findings and management's responses thereon; and
 - (b) evaluation of the system of internal controls, recommendations made and management's responses thereon.
- (2) Review and approve external audit fees, including the monitoring and approval of all non-audit services provided by the external auditors.
- (3) Consider the nomination, appointment (and re-appointment), resignation or dismissal of external auditors. In connection thereto, the Committee is responsible to review, assess and monitor the performance, suitability and independence of the external auditors. Prior to the commencement of the annual audit, the Committee will seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the Committee upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.
- (4) Review the following in relation to internal audit:
 - (a) adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work and to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group;
 - (b) internal audit plans and programmes, processes, the results of internal audit assessments and to ensure that appropriate actions are taken to implement recommendations of the internal auditors. Internal audit reports which are issued have to be tabled to the Committee for review and Executive Management is required to be present at the Committee meetings to respond and provide feedback on the audit findings and recommended improvements.
 - (c) appointment or termination of the internal auditors, appraisal and assessment of the performance of the internal auditors. If internal audit members are employed in-house, to take cognisance of all resignations and provide the resigning internal audit member the opportunity to submit his/her reasons for resigning; and

- (d) co-ordination of internal audit with external audit.
- (5) Review the assistance given by management and employees to the external and internal auditors.
- (6) In respect of risk management, the tasks of the Committee are as follows:
 - (a) Supports the Board in meeting risk management expectations to:
 - (i) ensure that the Group's corporate objectives are supported by a sound risk strategy and an effective risk management framework that are appropriate to the nature, scale and complexity of its activities.
 - (ii) provide effective oversight of management's actions to ensure consistency with the risk appetite, risk strategy and policies approved by the Board.
 - (iii) ensure that the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a Group basis and is supported by robust management information that facilitate the timely and reliable reporting of risks.
 - (iv) ensure that risk management is integrated throughout the Group and embedded into the culture and business operations.
 - (v) ensure that the effective implementation of the risk management framework is reinforced with an effective compliance function and is subjected to internal audit review.
 - (vi) ensure that there are appropriate mechanisms for communicating risks across the Group and for reporting risks developments to the Board and management.
 - (vii) exercise oversight over subsidiaries' risk management and ensure that appropriate processes are established to monitor the subsidiaries' compliance with the Group's risk management policies.
 - (b) Ensure that the internal audit plans are aligned with the risks that have been identified so as to ensure that identified risks are managed in an integrated manner.
 - (c) Review and approve the appointment, replacement and dismissal of the Chief Risk Officer, if any.
- (7) Review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - (a) implementation of major accounting policy changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions;

- (c) going concern assumption; and
 - (d) compliance with applicable financial reporting standards and other legal requirements.
- (8) Review and monitor any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management's integrity.
 - (9) Oversee the integrity of the Group's financial reporting processes and system of internal controls to ensure that accounting records are kept with reasonable accuracy and that significant risks and control deficiencies are identified, evaluated and managed respectively.
 - (10) Report matters not satisfactorily dealt with by the Board which would result in a breach of the Main Market Listing Requirements of Bursa Securities ["Listing Requirements"] to Bursa Securities.
 - (11) Any other matters as authorised by the Board.

D. Authority

The Committee is authorised by the Board to:

- (1) investigate any matter within its terms of reference;
- (2) have the resources which are required to perform its duties, at the expense of the Group;
- (3) have full and unrestricted access to any information pertaining to the Group;
- (4) have direct communication channels with the external and internal auditors and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary; and
- (5) obtain at the expense of the Group, outside legal or any other independent professional advice, it considers necessary in the discharge of its duties and responsibilities.

Notwithstanding anything to the contrary herein before stated, the Committee does not have executive power. The Chairman shall be reporting to the full Board its recommendations for consideration and implementation and the final decision shall be the responsibility of the Board after considering the recommendations of the Committee.

E. Meetings

(1) Frequency of Meetings

The Committee shall meet at least four (4) times in each financial year and more frequently if required, as determined by the Chairman.

The Committee shall meet with the external auditors and internal auditors without the presence of the Executive Board members, management or employees of the Group at least **twice** annually.

(2) **Calling of Meetings**

The Secretary shall on the requisition of any member of the Committee and the Chief Financial Officer summon a meeting. The external and internal auditors may also request a meeting if they consider it necessary.

Meetings may be held at two (2) or more venues within or outside Malaysia using any technologies that will enable the Committee as a whole to participate for the entire duration of the meeting provided that all information and documents for the meetings concerned must be made available to all members prior to or at the meetings.

(3) **Notice of Meetings**

Except in the case of an emergency meeting, notices of meetings and agenda are sent to the members of the Committee electronically at least one (1) week in advance and the meeting papers are delivered electronically and in hard copies at least three (3) days prior to the meetings.

(4) **Quorum for Meetings**

The quorum of any meeting shall not be less than two (2) members, a majority of whom must be Independent Directors.

(5) **Attendance at Meetings**

The Chief Financial Officer, the Head of Internal Audit (if any), the Chief Risk Officer (if any), the external and internal auditors should normally attend the meetings. Other Directors and employees may be invited to attend meetings by the Committee as deemed necessary from time to time.

(6) **Voting at Meetings**

A resolution put to the vote of the meeting shall be decided by a majority vote. In the case of an equality of votes, the Chairman or the chair of the meeting concerned shall be entitled to a second or casting vote. However, at meetings where two (2) members form a quorum, or when only two (2) members are competent to vote on an issue, the Chairman will not have a casting vote.

(7) **Minutes of Meetings**

The Secretary shall record minutes of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

The minute of each meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next meeting and kept as part of the statutory records of the Company.

The minutes of all meetings shall be circulated to each member of the Committee and the Chairman shall report on key matters of each meeting to the Board.

(8) Circular Resolution

A resolution in writing signed by a majority of all members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee.

Such resolution shall be described as “Audit and Risk Committee Circular Resolution” and shall be recorded by the Secretary in the minutes book.

Any such resolution may consist of several documents in like form, each signed by one (1) or more members. The expressions “in writing” or “signed” include approval by legible confirmed transmission by email, facsimile, telegram or other forms of electronic communications.

F. Review

The Nomination Committee is to review the term of office and performance of the Committee and each of its members annually to assess the extent to which the Committee and its members have discharged its responsibilities as set out in these terms of reference.

These terms of reference shall be reviewed at least annually by the Committee or as and when there are changes to the codes of corporate governance and the Listing Requirements. The Committee shall discuss any changes required with the Board and ensure that such changes are approved by the Board.

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*Reviewed and recommended by Audit and Risk Management Committee : 4 January 2019
Approved by Board of Directors : 4 January 2019*