



# **TERMS OF REFERENCE**

## **AUDIT, RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE**

**20.1204**

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## DEFINITION & ABBREVIATIONS

TERM	DEFINITION
ARMSC	means the Audit, Risk Management and Sustainability Committee of the Company
Board	means the Board of Directors of the Company
Bursa Securities	means Bursa Malaysia Securities Berhad
CEO	means Chief Executive Officer
Director(s)	means a member of the Board
ENRA or Company	means ENRA Group Berhad
ENRA Group or Group	means the Company and its subsidiaries
Executive Director(s)	means Director(s) with executive powers and who participate in the management of the Company
Independent Director(s)	means Director(s) as defined in accordance with Paragraph 1.01 of the Listing Requirements
Listing Requirements	means Main Market Listing Requirements of Bursa Securities
Management	means the management personnel of the Company and its subsidiaries
Key Management	Means who hold the key pivotal positions of the Company

## **1.0 PURPOSE**

To assist the Board in fulfilling its responsibilities, functions and duties for the oversight of:

- The financial reporting process.
- The system of risk management and internal control.
- The audit process.
- The process for monitoring compliance with laws and regulations and ENRA Group's business ethics codes and policies.
- The matters in relation to ENRA Group's sustainability strategies, practices and policies.

## **2.0 AUTHORITY**

The ARMSC shall have unrestricted access to external auditors, internal auditors and employees of the Group and are authorised by the Board to investigate any activity within its terms of reference and to:

- Obtain advice from external legal, other independent professional advice or subject matter experts as necessary.
- Appoint, remunerate, and oversee the work of any registered public accounting firm employed by the Group.
- Pre-approve all auditing and non-audit services provided by the external auditors.
- If deemed necessary, convene meetings with the external auditors, internal auditors or both, excluding the attendance of the other Directors and Management.
- Resolve any disagreements between Management and the external auditors regarding financial reporting.

## **3.0 MEMBERSHIP**

3.1 The ARMSC shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members. All members must be Independent Directors as defined in Chapter 1 of the Listing Requirements of Bursa Securities. All members shall be financially literate and at least one member:

- i. must be a member of the Malaysian Institute of Accountants; or
- ii. he must have at least three years' working experience and:
  - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - 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; and or
- iii. fulfils such other requirements as prescribed or approved by Bursa Securities.

- 3.2 No Alternate Director is to be appointed as a member of the ARMSC.
- 3.3 No former partner of the external audit firm of the Company shall be appointed as a member of the ARMSC unless he/she has observed a cooling-off period of at least three (3) years. In this regard, a former audit partner includes all former partners of audit firm and/or affiliate firm, including those providing advisory services, tax consulting etc.
- 3.4 If a member of the ARMSC resigns, dies or for any other reason ceases to be a member and such vacancy results in non-compliance with the composition of the ARMSC, the Board must, within three (3) months of that event or such period or extensions as may be prescribed or permitted by Bursa Securities, fill the vacancy to ensure compliance with the Listing Requirements.
- 3.5 The Board Nomination and Remuneration Committee must review the terms of office and performance of the ARMSC and each of its members annually to determine whether the ARMSC and members have carried out their duties in accordance with their terms of reference.

#### **4.0 CHAIRMAN**

- 4.1 The Chairman of the ARMSC shall not be the Chairman of the Board. The Chairman of the ARMSC shall report a summary of significant matters and resolutions of the ARMSC meeting to the Board.
- 4.2 In the event that the elected Chairman is not able to attend a meeting of the ARMSC, a member of the ARMSC shall be nominated as the Chairman for the meeting.

#### **5.0 SECRETARY**

The Company Secretary shall be the Secretary of the ARMSC and shall be responsible, in consultation with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation, to the ARMSC members prior to each meeting. The Secretary shall also be responsible for keeping the minutes of meetings of the ARMSC and circulating them to the ARMSC members and to the other members of the Board.

#### **6.0 MEETINGS**

- 6.1 The quorum for an ARMSC meeting shall be at least two (2) members.
- 6.2 The ARMSC shall meet not less than four (4) times a year and such additional meetings as the Chairman shall decide.
- 6.3 Notwithstanding paragraph 6.2 above, upon the request of any member of the ARMSC, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the ARMSC to consider the matters brought to its attention.

- 6.4 The External Auditors have the right to appear and be heard at any meeting of ARMSC and shall appear before the ARMSC when required to do so.
- 6.5 The non-member Directors and employees of the Company and of the Group shall normally attend the meetings at the ARMSC's invitation, to assist in its deliberations and resolutions of matters raised. However, at least twice a year, the ARMSC should meet with the External Auditors without the presence of the executive board members.
- 6.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow-up on all relevant decisions made.
- 6.7 By request of the ARMSC, the Head of Internal Audit and/or his team members, if required, shall meet with the ARMSC without the presence of Management. The ARMSC may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconferencing or by way of resolution in writing ("circular resolution") signed by a majority of the ARMSC members. The circular resolution so signed shall be valid and effectual as if it had been passed at a meeting of the ARMSC and may consist of several documents in like form, each signed by one or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications.
- 6.2 The Company must ensure that other Directors and employees attend any particular meeting only at the ARMSC's invitation, specific to the relevant meeting. The ARMSC shall review and monitor the half yearly code of ethics compliance sign off by Management.

## **7.0 RESPONSIBILITIES**

The ARMSC shall undertake the following responsibilities, function and duties:

### **i. Reporting**

- Review the quarterly results, year-end financial statements and any formal announcements affecting the Group in accordance with the Listing Requirements, in consultation with Management and the external auditors, prior to the approval by the Board, focusing on but not limited to, the following:
  - Going concern assumption;
  - Compliance with accounting standards and regulatory requirements;
  - The consistency of any changes or implementation of the accounting policies and practices;
  - Significant matters highlighted including financial reporting issues and arising from the audit;

- Significant or unusual events and/or transactions, major accounting estimates and judgments made by the Management, taking into account of the views of the external auditors and how these matters are addressed; and
  - The clarity of disclosures.
- Review any related party transactions and conflict of interest (“COI”) situations that may arise within the Group, including any transaction, procedure or course of conduct that raises questions on management integrity and the measures taken to resolve, eliminate or mitigate such conflicts. In this regard, the review of COI shall include that of Directors and Key Management of the Group.
  - Review with the external auditors the results of the audit, any problem and reservations arising from the interim and final audits, the management letter, management’s responses and any matter the external auditor may wish to discuss (in the absence of Management, where necessary).
  - Ensure timely submission of the financial statements by Management.
- ii. Risk Management and Internal Control
- Review the adequacy of the Group’s risk management framework and assess the resources and knowledge of the Management and employees involved in the risk management process. Review the Group’s risk profile and risk tolerance, review the results of the risk management exercise carried out for ENRA Group and review the statement on the Risk Management and Internal Control System.
  - To review all areas of significant risks and the arrangements in place to contain those risks to acceptable levels.
  - Ensure that Internal Audit carries out its functions according to the standards set by recognized professional bodies.
  - To review risk reports and registers and ensure that appropriate action plans are in place to manage and mitigate the risks.
  - To report to the Board any material risk observations that warrants the Board’s attention.
  - To provide quarterly reporting and update the Board on key risk management issues as well as ad hoc reporting.
  - To work with the CEO and/or relevant employees of the Company in the preparation of the Statement of Risk Management and Internal Control and Sustainability Report for inclusion in the Company’s Annual Report and to recommend the same for the approval of the Board.

### iii. The Audit Process

#### a) Internal Audit

- Review the adequacy of the Internal Audit scope and plan, including the Internal Audit Charter, activities, works, competency, resources and organisational structure of the Internal Audit function.
- Ensure that Internal Audit function is independent of the activities and/or the works it audits and the Head of Internal Audit reports directly to the ARMSC. The Head of Internal Audit will be responsible for the regular review and appraisal of the effectiveness of risk management, internal control and governance processes of the company.
- Has final authority to review and approve the annual Internal Audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit. The Head of Internal Audit should have the relevant qualification and be responsible for providing assurance to the ARMSC that the internal controls are operating effectively.
- At least once per year, review the performance of the Head of Internal Audit and concur with the annual remuneration and salary adjustment.
- Review promptly key observations and corrective actions on the company from audit reviews.
- Discuss problem and reservations arising from the audits and any matter the Head of Internal Auditor may wish to discuss (in the absence of Management where necessary).

#### b) External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the Head of Internal Auditor.
- Review the competency and performance of the external auditors.
- Consider and recommend the appointment, re-appointment, resignation, dismissal and remuneration of external auditors before making a recommendation to the Board. In determining the appointment/ re-appointment of the external auditors, in addition to the suitability factors as set out below,
  - the adequacy of the experience and resources of the accounting firm;
  - the persons assigned to the audit;
  - the accounting firm's audit engagements;
  - the size and complexity of the Company and its subsidiaries being audited; and

- the number and experience of supervisory and professional staff assigned to the particular audit,
- to also consider the performance of the external auditors and its independence such as:
  - the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
  - the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
  - whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.
- Review and confirm the independence and objectivity of the external auditors, taking into consideration the local professional and regulatory requirements.
- Review the assistance provided by the Company's employees to the external auditors.
- Develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which the ARMSC considers that action or improvement is needed and making recommendations as to the steps to be taken.
- Discuss the entering of contracts and nature for the provision of non-audit services to the Group with the external auditors or its affiliates and the procedures that must be adhered. The contracts that cannot be entered into should include:
  - Management consulting;
  - Strategic decision;
  - Internal Audit; and
  - Policy and standard operating procedures documentation

#### iv. Compliance

- Review the effectiveness of the system for monitoring compliance with the Listing Requirements and all relevant laws, guidelines and regulations issued by regulatory authorities and the results of Management's investigation and follow-up (including disciplinary action) of any major instances of non-compliance.
- Review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure arrangements are in place in terms of the proportionate and independent investigation of such matters and for appropriate follow-up action.



- Review the findings of any examination by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Conduct to the staff, and for monitoring compliance therewith.
- Obtain regular updates from Management and the Head of Compliance and Governance regarding compliance matters.

v. Sustainability Matters

- Make recommendations to the Board on the strategies, policies, goals and targets related to sustainability for the ENRA Group in achieving the objective of becoming an organisation with sustainable growth.
- Review the reporting and management of the sustainability initiatives to ensure they are aligned with ENRA Group's organisational strategy and business direction.
- Provide guidance to Management on sustainability issues and impacts and the integration of sustainability into ENRA Group's businesses and operations.

vi. Conflict of Interest

In relation to any COI situation across ENRA Group through direct financial interest, indirect financial interest, non-financial interest (arising from relationships whether family, business or professional interests), or competing loyalties or interests involving Directors and Key Management with the Group, the ARMSC shall:

- conduct regular review of any COI situations (other than related party transactions) including COI situations that arose or persist (i.e. in addition to those that may arise), and report it to the Board;
- put in place the measure to resolve, eliminate or mitigate the COI situations including COI situations that arose or persist; and
- disclose a summary of any COI or potential COI situations (besides related party transactions) arose during the financial year within the Company or the Group that the ARMSC has reviewed and the measures taken to resolve, eliminate or mitigate such COI or potential COI situations in the Annual Report.

vii. Other Responsibilities

- Institute and oversee special investigations as needed.
- In compliance with Paragraph 15.16 of Listing Requirements, where the ARMSC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMSC must promptly report such matter to Bursa Securities.
- Prepare the ARMSC Report at the end of each financial year.

- Assist the Board in the preparation of the reports or statements relating to the state of risk management and internal controls as well as sustainability matters of ENRA Group.
- Perform other activities and/or works related to this Terms of Reference, as requested by the Board.

[End]