

INTERNAL AUDIT CHARTER

1. Internal Audit Charter

Practice 11.1 of the Malaysian Code on Corporate Governance ("**MCCG**") stipulates that the Audit and Risk Management Committee ("**ARMC**") should ensure that the internal audit function is effective and able to function independently.

The Board of DS Sigma Holdings Berhad ("**the Company**") and its subsidiaries ("**the Group**") has established an Internal Audit ("**IA**") Charter to formalise the remit of the IA Function as well as to assist the ARMC with its oversight of IA Function, as guided by Guidance 11.1 of the MCCG which state that an internal audit function helps a company to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control, anti-corruption, whistleblowing and governance process.

2. Terms of Reference for IA Function

Guidance 11.1 of the MCCG emphasised the importance of the IA Function as a source of advice for the AC and the Board concerning areas of weaknesses or deficiencies in internal process to facilitate appropriate remedial measures by the Company.

Consequently, the IA Function (hereinafter referred to as "**IAF**") of the Company is expected to provide independent objective assurance on the effectiveness of the Group's risk management on internal controls, processes established by the Group and good corporate governance.

3. Authority

- 3.1. IA Function shall be independent of the activities they audit.
- 3.2. The IA Function is given the mandate to review, analyse, investigate, evaluate, comment and report on any aspect of the Group's operations.
- 3.3. It shall have full, free and unrestricted access to all Companies, Departments, Company's operating policies, plans, strategies, records, properties and personnel relevant to the performance of the audit scope of work documented in the IA Plan approved by the AC.
- 3.4. The IA Function shall have the authority to obtain the necessary assistance of personnel in the various Departments where the audit is being carried out.
- 3.5. The relevant Head of Departments of the Group are responsible for providing IA Function with relevant and timely access to all records, personnel and physical properties and for making sure that appropriate actions are taken to address audit recommendations.

(Internal Audit Charter – cont'd)

4. Mode of IA Function

Upon due consideration of the specialist required as well as cost factor, it is the intention of the ARMC to recommend for the outsource of IA Function to an IA service provider to be identified.

Assessment Criteria

Prior to making its decision to outsource the IA Function, the ARMC shall take into account the following key considerations:-

- (i) service provider selection process including the independence, qualification of the lead person responsible for the IA, skills and experience, as well as knowledge;
- (ii) scope of internal audit work to be outsourced;
- (iii) adequacy of resources deployed – the personnel assigned to undertake the internal audit have the necessary competency, experience and resources to carry out the function effectively;
- (iv) remuneration of the outsourced service provider;
- (v) roles and responsibilities of the outsourced service provider;
- (vi) access to information, records, physical properties, and personnel as well as the reporting workflow;
- (vii) internal audit framework adopted by the outsourced service provider;
- (viii) assessment of outsourcing risks (e.g. contracts and confidentiality agreements including any sub-contracting arrangements);
- (ix) effectiveness of the internal audit service rendered by the outsourced service provider and continuity of such service (for subsequent outsourcing arrangements).

5. Reporting

The Head of IA Function, being the lead engagement partner of the appointed IA service provider shall, report directly to the ARMC on all matters pertaining to its audit scope, audit plans and audit findings.

Where appropriate, the appointed IA service provider may communicate and interact directly with the ARMC, including private sessions (without the presence of management personnel) and/or specific ARMC meeting(s).

6. Objectivity and independence

- 6.1 As objectivity is essential to auditing, the IA Function should not normally implement accounting procedures or controls, prepare records or engage in activities that its personnel would normally review and appraise and that could reasonably be construed to compromise its independence.
- 6.2 Objectivity of the appointed IA service provider need not be adversely affected by the recommendation of controls to be applied in developing systems and procedures under its review nor lending its technical assistance to the management in systematic analysis of operations or activities.

(Internal Audit Charter – cont'd)

7. Objectives and Scope of work

- 7.1 The scope of the IA Function generally encompasses examining and evaluating the adequacy and effectiveness of the system of internal control and the quality of operating performance of the company against established standards or policies and procedures in carrying out assigned responsibilities.
- 7.2 The detailed scope of works for each individual auditable area shall be documented in the IA Plan to be approved by the ARMC.
- 7.3 The audit shall be conducted in such a manner as the IA Function considers necessary to fulfill its responsibilities and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities.
- 7.4 The nature and extent of audit tests shall vary according to the assessment of the accounting system of the Company's auditable area, its system of internal controls and any other aspect of the business operations.
- 7.5 The IA Function shall report any significant weaknesses noted or observed on the system of the Company's auditable area and which it considers necessary to be brought to the attention of the AC and Board of Directors.
- 7.6 The responsibility for the prevention and detection of irregularities and fraud rests with the operating management. However, the IA Function shall endeavour to plan its audit so that it has a reasonable expectation of detecting material misstatements in accounting and operational records resulting from irregularities or fraud, but its examination should not be relied upon to disclose irregularities and frauds which may exist.
- 7.7 Upon the approval of the ARMC, the Internal Auditors conduct regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company/ Group.
- 7.8 The Internal Auditors may conduct evaluation on specific operations/ matters, upon the request of the ARMC.

8. Internal Audit Function Administration

The ARMC is responsible for the administration of this Charter.

8.1 Professionalism

The ARMC expects the appointed IA service provider will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

8.2 Internal Audit Plan

At least annually or biennially, the lead engagement partner or his representative of the IA service provider is expected to table an internal audit

(Internal Audit Charter – cont'd)

plan for review and approval of the ARMC. The IA shall consist of work schedule as well as budget and resource requirements for the next calendar year/ applicable financial year(s). The internal audit plan shall be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the ARMC. Any significant deviation from the approved internal audit plan shall be communicated to senior management and the AC through periodic activity/ progress reports. The appointed IA service provider is expected to communicate the impact of resource limitation and/or significant interim changes to senior management and the ARMC.

8.3 Reporting and Monitoring

A written report will be prepared and issued by the appointed IA service provider following the conclusion of each internal audit engagement and shall be distributed as appropriate. Internal audit results shall also be communicated to the ARMC.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by Management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The appointed IA service provider shall be held responsible for appropriate follow-up on engagement findings and recommendations. All significant findings shall remain in an open issues file until cleared or agreed to be closed by the AC.

8.4 Annual Performance Assessment

As guided by Guidance 11.1 of the MCCG, the ARMC shall perform annual assessment on the performance of the appointed IA service provider in fulfilling the duties and responsibilities of the IA Function.

Assessment Criteria

In evaluating the performance of the IA Function, the ARMC shall satisfy itself that:-

- (i) The person responsible for the IA has the relevant experience, sufficient standing and authority to enable him to discharge his function effectively;
- (ii) IA has sufficient resources and is able to access information to enable it to carry out its role effectively;
- (iii) The personnel assigned to undertake IA have the necessary competency, experience and resources to carry out the function effectively;
- (iv) Declaration of Independence – whether IA personnel are free from any relationships or conflict of interest, which could impair their objectivity and independence; and
- (v) Whether the IA Function is carried out in accordance with a recognised framework.

(Internal Audit Charter – cont'd)

Upon completion, the ARMC shall communicate the results of its evaluation to the Board in order for the Board to make the appropriate disclosure as required under Practice 11.2 of the MCCG accordingly.

9. Oversight functions of the ARMC in relation to IA Functions

The oversight functions of the ARMC are as follows:-

- Review the adequacy of the scope, functions and resources of the IA function, and that it has the necessary authority to carry out its work;
- Review the IA programmes and results of the IA process and where necessary, ensure that appropriate action is taken on the recommendations of the IA function;
- Approve any appointments or termination of senior auditors of the IA function;
- Inform itself of resignations of Internal Auditors and provide the resigning Internal Auditor an opportunity to submit his reasons for resigning.

10. Review

The AC shall review regularly and assess the appropriateness of the IA Charter. Any requirement for amendment shall be deliberated by the AC and any recommendation for revisions shall be highlighted to the Board for approval.

11. Effective Date

This Charter is effective on 21 February 2022.

History

Version Number	Board's approval Date	Effective Date
1.0	21 February 2022	21 February 2022