

<b>TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE</b>
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## **1. Objectives**

The primary objectives of the Audit and Risk Committee ("ARC") are to:

- 1.1 provide assistance to the Board in fulfilling its fiduciary responsibilities as the manager of Sentral REIT in relation to accounting and management controls, financial reporting, risk management and business ethics policies;
- 1.2 establish a channel of communication between the Board and the Internal and External Auditors by way of regular meetings; and
- 1.3 undertake such additional duties as may be appropriate and necessary to assist the Board.

## **2. Composition of Members**

- 2.1 The ARC members shall be appointed by the Board from amongst their number and shall comprise at least three (3) members.
- 2.2 All members of the ARC must be Independent Directors.
- 2.3 No Alternate Director shall be appointed as a member of the ARC.
- 2.4 The members of the ARC should be financially literate and shall include at least one (1) member:
  - (a) who is a member of the Malaysian Institute of Accountants; or
  - (b) must have at least 3 years' working experience and:
    - (i) have passed the examination specified in Part 1 of the First Schedule of the Accountants Act 1967; or
    - (ii) is a member of one of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- 2.5 All members should be financially literate, competent, and are able to understand matters under the purview of the ARC including the financial reporting process.
- 2.6 All members of the ARC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.7 The Chairman of the Board shall not be Chairman of the ARC.
- 2.8 In the event any vacancy in the ARC results in the non-compliance of the above requirements, the Board must fill the vacancy within 3 months.

- 2.9 The membership of the ARC shall be terminated upon the resignation of him/her as an Independent Director of the Company, or as determined by the Board.
- 2.10 A former partner of an audit firm that has audited the Company shall observe a cooling-off period of at least three (3) years before being appointed as a member of the ARC.
- 2.11 The Company Secretary of the Company shall act as Secretary of the ARC.

### **3. Meetings**

- 3.1 The ARC shall meet at least 4 times a year. The ARC shall meet with the External Auditors without the presence of Management at least twice a year.
- 3.2 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 Committee at least five business days prior to the date of the meeting.
- 3.3 Any two (2) members present shall constitute a quorum.
- 3.4 All resolution of the ARC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a casting vote.
- 3.5 The Secretary is responsible for co-ordination of administrative details including calling the meetings, voting and keeping of minutes.
- 3.6 A resolution in writing signed by a majority of the members shall be valid and effectual as if it had been passed at a meeting of the ARC duly convened. Any such resolution may consist of several documents in the like form, each signed by one or more members of ARC. The expression "signed" include approval by legible confirmed transmission by facsimile or other form of electronic communication.

### **4. Duties and Responsibilities**

- 4.1 To consider the appointment, re-appointment, resignation or dismissal of the External Auditors, based on an assessment of their competence, audit quality, resource capacity, audit fee and other relevant considerations or justifications.
- 4.2 To obtain and review written assurance from the External Auditors confirming their continued objectivity and independence throughout the audit engagement, in accordance with the terms of all relevant professional and regulatory requirements.
- 4.3 To review the audit plans and scope of audit examination of the External Auditors.
- 4.4 To review with External Auditors with regard to issues and reservations arising from their interim and final audits.

- 4.5 To review the quarterly and year-end financial statements before the approval by the Board, focusing particularly on:
- Any changes in or implementation of major accounting policies and practices
  - The going concern assumption;
  - Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed; and
  - Compliance with the applicable approved accounting standards and other legal requirements.
- 4.6 To review the External Auditor's management letter and management's response.
- 4.7 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; and
  - Review the internal audit programme, process, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- 4.8 To promptly report to Bursa Securities, where the ARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities.
- 4.9 To review procedures established to address allegations raised by whistleblowers, to ensure independent investigation is conducted and follow-up action is taken.
- 4.10 To review any related party transaction and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.11 To assess the risks and control environment, to determine whether management has implemented policies ensuring the risks are identified and evaluated and those internal controls in place are effective to address the risks.
- 4.12 To consider the report, major findings and management's response of any internal investigations carried out by the internal auditors.
- 4.13 To undertake such other responsibilities as may be agreed by the ARC and the Board.

## **5. Authority**

The ARC is authorised to do the following to discharge its functions and duties:

- 5.1 investigate any matter within its terms of reference;
- 5.2 request for adequate resources to assist the ARC;

- 5.3 have full and unrestricted access to information, records and documents that are relevant to its activities;
- 5.4 have direct communications channels with the External Auditors and Internal Auditors;
- 5.5 engage, consult and obtain external or other independent professional advice in furtherance of its duties; and
- 5.6 convene meetings with the External Auditors, Internal Auditors, Property Manager or its service providers or all of them, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.