



Pansar Berhad

(Company No. 18904-M)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. Introduction

- 1.1 The Audit and Risk Management Committee (“**ARMC**”) is appointed by the Board of Directors of the Company to oversee the financial reporting, internal controls, risk management process, compliance, corporate governance, and sustainability matters within the Group.
- 1.2 The Terms of Reference herein govern the process of the ARMC and outlines the procedures and guidelines to its risk governance role.

2. Objectives

The main objectives of the ARMC shall be to:

- 2.1 **Fulfill Statutory and Fiduciary Responsibilities:** assist the Board of Directors to fulfil its statutory and fiduciary responsibilities in examining the Company and in monitoring its accounting and financial reporting practices.
- 2.2 **Ensure Adequate Controls:** review the effectiveness of the Company’s administrative, operational, and internal controls, processes and framework and monitoring the Company’s operation in accordance with its prescribed procedures and framework.
- 2.3 **Oversight of Overall Risk Exposure:** assist the Board to fulfill its corporate governance, risk management, and statutory responsibilities in its management of the overall risk exposure of the Group.
- 2.4 **Independent Financial Review:** serve as an independent and objective party in the review of the financial information presented by the Management for distribution to shareholders and the general public.
- 2.5 **Sustainability Oversight:** direct and oversee the setting up of the Group’s sustainability governance structure and the formulation of Group’s overall sustainability strategies, sustainability framework, initiatives, and targets and monitoring audit or assurance reviews related to sustainability reporting.
- 2.6 **Direction:** provide direction and controls over the Internal Audit function and the External Auditors.
- 2.7 **Risk Policy:** approve and periodically review the risk management policies and risk strategies of the Group.
- 2.8 **Risk Profile Evaluation:** review the overall risk profile of the Group and ensure the cultivation of proper awareness of risk culture within the Group.

3. Composition

The members of the ARMC shall be appointed by the Board from amongst its Directors and shall comprise not less than three (3) members which fulfill the following requirements:

- 3.1 All the ARMC members must be Non-Executive Directors, with a majority of them being Independent Directors.

3.2 At least one (1) member –

- (i) must 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 of working experience and: -
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfills such other requirements as prescribed or approved by the Exchange.

3.3 The Alternate Director shall not be appointed as a member of the ARMC.

3.4 A former key audit partner shall not be appointed as a member of the ARMC unless he observes a cooling-off period of at least three (3) years prior to the appointment.

3.5 If membership of the ARMC for any reason falls below three (3) members, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to fulfill the minimum requirement.

3.6 The members of the ARMC shall elect a chairman from amongst themselves who shall be an Independent Director.

3.7 The Company Secretary or their nominee shall act as the Secretary of the Audit and Risk Management Committee.

3.8 The term of office and performance of the ARMC and each of the members shall be reviewed by the Nomination Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with their Terms of Reference.

4. Authority

4.1 The ARMC is authorised by the Board to investigate any activity within its Terms of Reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.

4.2 The ARMC is also authorised to obtain outside legal or other independent professional advice as it considers necessary.

4.3 The ARMC is allowed to have direct communication channels to deal with the External Auditors and person(s) carrying out the Internal Audit function, sustainability governance and activities or any other activities.

4.4 The ARMC shall have all the necessary resources to perform its duties.

4.5 The ARMC 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 Company, whenever deemed necessary.

- 4.6 The ARMC shall be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements of Bursa Securities occurred.
- 4.7 The ARMC will make recommendations to the Board on risk management issues in its advisory capacity.

5. Proceedings of Meetings

- 5.1 A majority of the members, who are Independent Directors, present, being not less than two (2), shall form a quorum.
- 5.2 Meetings shall be held not less than four (4) times a year. Additional meetings may be held as and when necessary, upon request by any ARMC member, the Management, Internal or External Auditors.
- 5.3 The Chief Operating Officer, the Internal Auditors, and a representative of the External Auditors shall normally be invited to attend meetings. Other members of the Board of Directors and employees shall attend the meetings only at the invitation of the ARMC.
- 5.4 The Secretary shall minute the proceedings and resolutions of all ARMC meetings, including the names of those present and in attendance.
- 5.5 A resolution in writing signed or approved by letter or via facsimile transmission by all ARMC members shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member. Any such resolution may consist of several documents in like form, each signed by one (1) or more ARMC members.
- 5.6 The ARMC shall meet with the External Auditors without the presence of Executive Directors and the Management at least once a year.
- 5.7 Minutes of Committee meetings shall be kept and circulated to each member of the ARMC and made available on request to other members of the Board.

6. Duties and Responsibilities

Amongst the primary duties and responsibilities of the ARMC shall be to:

- 6.1 Review the adequacy of the scope, functions, competency, and resources of the Internal Audit functions and that it has the necessary authority to carry out its work.
- 6.2 Review the Internal Audit plan and audit programme, processes, the results of the Internal Audit programme, processes or investigations undertaken, and whether or not appropriate actions have been taken on the recommendations of the Internal Audit functions.
- 6.3 Ensure that the Internal Audit function is independent of the activities it audits, and the Internal Auditors shall report directly to the Audit and Risk Management Committee. The Head of Internal Audit should have the relevant qualifications and be responsible for providing assurance to the Audit and Risk Management Committee that the internal controls are operating effectively. The Head of Internal Audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Group.

- 6.4 Evaluate the performance of the Internal Auditors as the Internal Auditors report to and is responsible to the ARMC.
- 6.5 Consider the appointment, resignation and dismissal of the External Auditors and their audit fees.
- 6.6 Liaise directly between the External Auditors, the Management, and the Board as a whole, particularly with regard to their External Audit plans and audit reports.
- 6.7 Review the assistance given by the Company's employees to the Auditors, and any difficulties encountered in the course of their audit work.
- 6.8 Review the findings of the Internal and External Auditors (as the case may be) on internal controls and other audit comments.
- 6.9 Evaluate the independence and objectivity of the External Auditors in their provision of services, including non-audit services.
- 6.10 Review the quarterly results and year-end financial statements of the Company and the Group, prior to the approval by the Board, focusing particularly on: -
- changes in or implementation of major accounting policies;
 - 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 accounting standards and other legal requirements.
- 6.11 Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure, or course of conduct that raises questions of management integrity.
- 6.12 Verify the allocation of the Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the By-Law of ESOS of the Company, if any.
- 6.13 Review the annual Statement on Risk Management and Internal Control to be published in the Annual Report.
- 6.14 Review and recommend for the Board's approval, the Group's Risk Management Policy Framework, key policies and strategies, and any proposed changes thereto.
- 6.15 Review and recommend for the Board's approval, the Risk Management Report from the Risk Management Working Group, risk appetite and tolerance levels, key operating risks, and emerging risks and ensure the effectiveness of mitigating measures to manage these risks.
- 6.16 Advise or where necessary recommend sustainability strategies and related policies to the Board for adoption and implementation.
- 6.17 Review and advise on the adequacy of resources and systems for sustainability management for the identified risks to be managed in an effective and efficient manner.
- 6.18 Review and oversee the Company's internal controls on sustainability reporting related to environmental, social and governance matters, including climate change risks and other relevant reporting disclosures.

- 6.19 Oversee the Company's internal controls for the reporting of matters to shareholders, disclosures in relation to sustainability and other statements which are mandated by Bursa Malaysia Securities Berhad.

7. Reporting of Breaches to the Exchange

Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements, the Committee shall have the responsibility to promptly report such matter to Bursa Malaysia Securities Berhad.

8. Revision of the Terms of Reference

- 8.1 The Terms of Reference shall be reviewed and updated regularly or as and when there are changes to any regulatory requirements.
- 8.2 Any revisions or amendments to this Terms of Reference, as proposed by the ARMC or any third party, shall first be presented to the Board for approval.
- 8.3 Upon the Board's approval, the said revisions or amendments shall form part of this Terms of Reference and these Terms of Reference shall be considered duly revised or amended.