

**GLOSTREXT BERHAD**  
**REGISTRATION NO. 202201005343 (1451040-T)**

**TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

**1. PURPOSE AND OBJECTIVES**

The objective of the Terms of Reference of the Audit and Risk Management Committee (“ARC”) is to establish a documented, formal and transparent procedure for the ARC to support and advise the Board of Directors (“Board”) of Glostrex Berhad (“Company”). The ARC shall:-

- (a) provide assistance to the Board of the Company in fulfilling its fiduciary responsibilities on the oversight of the integrity of the accounting and financial reporting for the Company and all its subsidiaries (“Group”);
- (b) maintain oversight of the establishment and implementation of risk identification, assessment and management program of the Group and to provide timely input to management on critical risk issues;
- (c) evaluate the quality of the audits performed by the internal and external auditors;
- (d) enhance the effectiveness and independence of both the external and internal auditors’ functions through active participation in the audit process;
- (e) review and assess the suitability, objectivity and independence of external auditors;
- (f) provide assurance that the financial information presented by management is relevant, reliable and timely; and
- (g) ensure financial statements comply with applicable financial reporting standards.

**2. COMPOSITION AND MEMBERSHIP**

- 2.1 Members of the ARC shall be appointed by the Board amongst its Directors and shall comprise at least three (3) members, all of whom must be Non-Executive Directors, and a majority of whom must be Independent Non-Executive Directors.
- 2.2 The Chairman of the Board must not be a member/chairman of the ARC.
- 2.3 All members of the ARC should be financially literate and have sufficient understanding of the Group’s business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s reporting process.
- 2.4 At least one (1) member of the ARC:-
  - (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
  - (b) if not a member of the MIA, he/she must have at least three (3) years’ working experience; and

- (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- (ii) must be 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 by Bursa Malaysia Securities Berhad (“Bursa Securities”).

2.5 No Alternate Director shall be appointed as a member of the ARC.

2.6 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARC.

2.7 All members of the ARC shall possess wide range of necessary skills to discharge his/her duties.

2.8 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.

2.9 The term of office, the effectiveness and performance of the ARC and each of its members shall be reviewed by the Nomination Committee annually to determine whether the ARC and its members have carried out their duties in accordance with these terms of reference of the ARC.

2.10 Where the members of the ARC for any reason are reduced to less than three (3), the Board shall based on the recommendation of the Nomination Committee, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **3. CHAIRMAN**

3.1 The Chairman of the ARC shall be appointed by the Board and shall be an Independent Non-Executive Director.

3.2 In the absence of the Chairman of the ARC, the other members of the ARC shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

### **4. SECRETARY**

The Company Secretary shall be the Secretary of the ARC.

## **5. QUORUM AND MEETING PROCEDURES**

- 5.1 The ARC shall meet at least four (4) times each year. The Chairman may request for additional meetings as he/she considers necessary. ARC meetings shall be conducted separately from the board meeting to enable objective and independent discussion during the meeting.
- 5.2 If any member is unable to be physically present, he/she may choose to participate by means of a conference telephone or any other audio, audio-visual, or communication equipment which allows all persons participating in the meeting to hear and speak with each other and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.
- 5.3 The main venue of the meeting shall be the place where the Chairman is present.
- 5.4 The quorum for the meeting shall be two (2) members, majority of members present must be Independent Non-Executive Directors.
- 5.5 The Company Secretary, in consultation with the Chairman of the ARC, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated at least five (5) business days, or shorter notice where it is unavoidable prior to each meeting to the members of the ARC.
- 5.6 The ARC may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company or consultants, who the ARC thinks fit, to attend its meetings to assist and provide pertinent information as necessary.
- 5.7 A matter put to vote at the ARC meetings shall be decided by a simple majority of the votes, each member of the ARC having one (1) vote. In the case of an equality of votes, where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote. Otherwise in the case of an equality of votes, the Chairman has a second or casting vote.
- 5.8 A member of the ARC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.
- 5.9 The ARC shall meet at least once a year with the internal and external auditors without the presence of any Executive Directors, management or employees of the Company. The Chairman may request for additional meetings if he/she considers it necessary. The Management, the internal and external auditors may request for a private session with the ARC to discuss any matter of concern.

## **6. MINUTES**

- 6.1 The Company shall cause minutes of all proceedings of the ARC meeting to be entered in the books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.
- 6.2 Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any ARC member or Board member.
- 6.3 The minutes of each ARC meeting shall be distributed to the Board members for notation.

## **7. WRITTEN RESOLUTION**

- 7.1 A resolution in writing signed by a majority of the ARC members for the time being (in accordance with the quorum that is required by a ARC meeting) shall be as valid and effectual as if it had been passed at a meeting of the ARC duly called and constituted.
- 7.2 The resolution may consist of several documents in like form, each signed by one (1) or more ARC members. Such document may be accepted as sufficiently signed by a ARC member if it is transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the ARC member.

## **8. REPORTING**

The ARC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each ARC meeting. When presenting any recommendations to the Board for approval, the ARC will provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **9. AUTHORITY**

The ARC shall in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference and is also authorised to seek any information it requires from any employee and the employees are directed to co-operate with any request made by the ARC;
- (b) have the resources which are required to perform its duties as set out in these terms of reference or any statute or laws;
- (c) have full and unrestricted access to all information and documents which are required to perform its duties as well as to the internal and external auditors and management of the Group;

- (d) obtain independent or external professional advice or other advice it considers necessary in the discharge of its responsibilities and may invite persons with relevant experience to attend its meetings, if necessary;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function; and
- (f) where the ARC is of the view that the matter, they reported to Board has not been satisfactorily resolved, resulting in a breach of the ACE Market Listing Requirements of Bursa Securities, the ARC shall promptly report such matter to Bursa Securities.

Notwithstanding anything contrary hereinbefore stated, the ARC does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Group.

## **10. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the ARC are as follows:-

### **External Auditor**

- 10.1 To consider and recommend to the Board on the appointment and re-appointment of the external auditors and to fix their fees (audit and non-audit), resignation or dismissal of the external auditors after assessing their suitability, objectivity, independence and capabilities as well as the effectiveness of the external audit process;
- 10.2 To review the following with the external auditors and report the same to the Board:-
  - (a) audit plan, its scope and nature;
  - (b) audit report;
  - (c) evaluation of the system of internal controls;
  - (d) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit; and
  - (e) external auditors' management letter and management's response thereto.
- 10.3 To review and monitor the provision of non-audit services provided by the external auditors and/or its affiliate firms, including the nature of the non-audit services, fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- 10.4 To review the following and report the same to the Board:-
  - (a) letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
  - (b) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

- 10.5 To assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the ARC.

The policies and procedures must include among others consideration on:-

- (a) the criteria to guide decisions on the appointment and re-appointment of the external auditor. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the ARC may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
- (b) the appropriateness of audit fees to support a quality audit;
- (c) requirement for non-audit service to be approved by the ARC before they are rendered by the external auditor and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees;
- (d) requirement to obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- (e) the conduct of an annual evaluation on the performance of the external auditor and undertaking follow-up measures, where required.

### **Financial Reporting**

- 10.6 To review and recommend the quarterly and annual financial statements for approval by the Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, any significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- 10.7 To demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements;
- 10.8 To review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance;

- 10.9 To ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, particularly where there are significant matters requiring judgement;

### **Risk Management**

- 10.10 To oversee and recommend the risk management policies and procedures of the Group;
- 10.11 To review and recommend changes as needed to ensure that the Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- 10.12 To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Group's business risks;
- 10.13 To set reporting guidelines for the Management to report to the committee on the effectiveness of the Group's management of its business risks;
- 10.14 To review the risk profile of the Group and to evaluate the measure taken to mitigate the business risks to safeguard shareholders' investments and the Company's assets;
- 10.15 To review the adequacy of the Management's response to issues identified in the risk registers, ensuring that the risks are managed within the Group's risk appetite;
- 10.16 To review the Statement on Risk Management and Internal Control (which has been reviewed by the external auditors) for inclusion in the Company's Annual Report, and recommend for approval by the Board;

### **Internal Audit**

- 10.17 To do the following, in relation to the internal audit function:
- (a) consider and approve the appointment of internal auditors, internal audit fee and any question of resignation or dismissal;
  - (b) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (c) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors;
  - (d) consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in response to audit findings;
  - (e) review and decide on the budget allocated to the internal audit function;

- (f) appraise or assess annually the performance of members of the internal audit function, including the ability, competency and qualifications of the internal audit team and/or outsourced internal auditors (if any) to perform its duties; and
- (g) monitor the overall performance of the Company's internal audit function and review whether the internal audit function is carried out in accordance with a recognized framework;

#### **Others**

- 10.18 To conduct periodic review of the involvements of the Managing Director and Executive Directors in the companies outside of the Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within the Group;
- 10.19 To review and monitor any related party transaction/business dealings entered into by the Group and any conflict of interest situation that arose, persist and 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, to ensure that they are conducted on arms' length basis and on normal commercial terms in the ordinary course of business and based on terms that are fair to the Group;
- 10.20 To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;
- 10.21 To enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all the stakeholders;
- 10.22 To review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, when necessary;
- 10.23 To consider the major findings of internal investigations and the Management's response;
- 10.24 To verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);
- 10.25 To review findings, queries or investigation by the regulatory agencies (if any); and
- 10.26 To perform such other functions as may be requested by the Board.

#### **11. REVIEW OF THE WRITTEN TERM OF REFERENCE**

- 11.1 Any amendments to this term of reference of the ARC shall be approved by the Board. These terms of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the ARC's responsibilities.
- 11.2 The written terms of reference will be made to public on the Company's website.