

SALCON BERHAD
TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. Objectives

The primary objectives for Audit and Risk Management Committee (“ARMC”) are to promote independence of the internal and external auditors activities and assist the Board of Directors (“BOD”) in effectively discharging their fiduciary duties by overseeing the effectiveness and efficiency of sound Internal Controls and Risk Management.

2. Composition

2.1 The ARMC shall be appointed by the Board from among its Directors (except for alternate directors) who fulfills the following requirements:

- a. ARMC shall comprise no fewer than three (3) members;
- b. all members of the ARMC shall be non-executive directors, with a majority of them being independent directors; and
- c. all members to be financially literate and at least one member of the ARMC:
 - (i) a member of the Malaysian Institute of Accountants; or
 - (ii) if not a member of the Malaysian Institute of Accountants, must have at least (3) years’ working experience, and:
 - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - (iii) shall fulfill such other requirements as prescribed or approved by Bursa Securities Malaysia Berhad (“Bursa Securities”).

2.2 No alternate director of the Board shall be appointed as a member of the Audit Committee.

2.3 For the engagement of a former key audit partner as a member, there is a cooling-off period of at least three (3) years before being appointed as a member of ARMC.

2.4 The members of the ARMC shall elect a chairman among themselves who is an independent director. The chairman of ARMC is not the Chairman of the Board.

2.5 The Board shall within three (3) months of a vacancy occurring in the ARMC which result in the non-compliance of paragraphs 2.1 and 2.3 above, appoint such number of new members to fill the vacancy.

2.6 The Board shall review the term of office and performance of the ARMC and each of its members annually.

3. Meetings

3.1 Meetings of the ARMC shall be held not less than four (4) times a year.

3.2 The Chairman shall convene a meeting whenever any member of the ARMC / External Auditors requests for a meeting by giving not less than three (3) clear days' notice thereof unless such requirement is waived by all members. Written notice of the meeting together with the agenda shall be given to the members where applicable. However, consent from members who are overseas is not required.

3.3 The quorum for a meeting for the ARMC shall be two (2) provided always that the majority of members present must be independent directors.

3.4 Other Board members and employees may attend any particular meeting only at the ARMC's invitation.

3.5 The ARMC shall meet the External Auditors at least twice a year and Internal Auditors, whenever deemed necessary, without the presence of the Executive Directors, Senior Management or employees.

3.6 The Chairman shall have the casting vote should a tie arise.

3.7 The Company Secretary shall be the Secretary of the ARMC.

3.8 The ARMC may deal with matters by way of circular resolution in lieu of convening a formal meeting. Any such resolution may consist of several documents in like form, each signed by one or more members.

4. Rights and Authority

4.1 The ARMC shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- a. have authority to investigate any matter within its terms of reference;
- b. have the resources, which are required to perform its duties;

- c. have full and unrestricted access to any information pertaining to the Company;
- d. have direct communication channels with the External and Internal Auditors, as well as employees of the Group; and
- e. be able to obtain independent professional or other advice; and
- f. be able to convene meetings with the External Auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.

5. Functions

The functions of the ARMC shall undertake duties and responsibilities in the following and report the same to the Board:

5.1 Governance

- a. the Management's compliance with applicable laws and regulations, established plans, controls, policies and procedures;
- b. any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- c. procedures in place to ensure that the Group complies with the Companies Act, 2016, Bursa Securities Listing Requirements and other legislative or reporting requirements; and
- d. the adequacy of Statement on Audit Committee Report (ACR), Corporate Governance Overview Statement (CGOS) and Corporate Governance Report (CGR) to be disclosed in the Group's Annual Integrated Report.

5.2 Financial Reporting

5.2.1 The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

- a. changes in or implementation of major accounting policy changes;
- b. significant audit adjustments from the External Auditors;
- c. significant matters highlighted including financial reporting issues, decisions made by management, unusual events or transactions. ;

- d. compliance with applicable financial reporting standards and other legal requirements; and
- e. the going concern assumption.

5.3 External Audit

- a. To consider and make recommendations to the Board in relation to the nomination, appointment, re-appointment, resignation or removal of the External Auditors, including the negotiation of fees and review of any letter of resignation from the External Auditors and whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment;
- b. Overseeing and reviewing the work of the External Auditors;
- c. Resolving disputes between External Auditors and Management;
- d. Reviewing the External Auditor's internal control and audit reports;
- e. To review the External Auditors Management Letter and adequate appropriate corrective action taken for the deficiency identified;
- f. To ensure the independence and objectivity of External Auditors by obtaining a 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;
- g. The external auditor can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditor. All engagements of the external auditor to provide non-audit services are subject to the approval/endorsement of the Committee.
- h. The Committee shall carry out annual assessment on the performance, suitability and independence of the external auditor based on the following four (4) key areas: -
 - quality of service;
 - sufficiency of resources;
 - communication and interaction; and
 - independence, objectivity and professional skepticism.
- i. The Committee may also request the Chief Financial Officer and/or Senior Management to perform the annual assessment of the External Auditors.

5.4 Internal Audit

- a. approve the internal audit charter and annual audit plan;
- b. the adequacy of the scope and functions, competency and resources required for the Internal Audit function and the authority necessary to carry out its work;
- c. review the internal audit program, processes and the results of the internal audit work, processes or investigation undertaken and whether or not appropriate corrective action is taken on the recommendations of the Internal Audit function;
- d. due consideration on engagement results and the management's responses with the attendance of management, follow up on previous year's audit findings and the status on implementation of applicable recommendations;
- e. approve any appointment or termination of senior staff members of the internal audit function;
- f. take cognizance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning; and
- g. any appraisal or assessment of the performance of the members of the internal audit function.

5.5 Risk Management

5.5.1 Enterprise Risk Management ("ERM")

- a. oversight and advise the ERM policies and best practices for the Company;
- b. review the implementation for both short-term and long-term risk management strategies, framework and methodologies and consistently applied by the Company;
- c. review and recommend necessary changes in ERM policies and process throughout changes from internal and external factors, affecting the Company;
- d. review the Company risk profiles, key risk indicators and evaluate the measures taken to mitigate the risk identified;
- e. review and recommend the Statement on Risk Management and Internal Controls (SORMIC) to be disclosed in the Group's Annual Integrated Report;

5.5.2 Risk Appetite (“RA”)

- a. To satisfy itself that risk appetite informs all aspects of the Group’s strategy (including technology strategy and ESG strategy). Refer to impact parameters endorsed by ARMC.
- b. To advise the Board on risk appetite and risk tolerance related matters.
- c. To receive reports and draw independent external advice, where appropriate, to satisfy itself that the Group’s approach to the determination of its risk appetite is in line with regulatory requirements.
- d. To consider and, if appropriate, advise the Board on the risks associated with proposed material acquisitions/disposals, focusing in particular on the resulting implications for the risk appetite and tolerance of the Group.

5.5.3 Business Continuity Management (“BCM”)

- a. oversight and advise the BCM framework, which aligns to international standards and good business guidelines; and
- b. ensure that the BCM framework are reviewed, implemented, tested and results captured for improvement process.

5.5.4 Integrity and Governance

- a. oversight and advise the Integrity and Governance framework, policies and business code of conduct, which aligns to relevant laws and regulations; and
- b. review complaints via whistleblowing channels, investigation process and outcome; and on overall Integrity & Governance process and practices within the Group.

5.6 Employee Share Option Scheme

Verifying the allocation of options under the Employee Share Option Scheme (ESOS) as compliant with the disclosed criteria for allocation of options, at the end of each financial year, if applicable.

5.7 Other Matters

Any other matters as may be directed by the Board from time to time.

6. Reporting Procedures

The Company Secretary shall maintain minutes of the proceedings of the meetings, circulate such minutes to all members of the Board. Key issues discussed shall be reported by the Chairman of the ARMC to the Board.