

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

INNATURE BERHAD

Document

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1. Membership

The Audit and Risk Management Committee shall be appointed by the Board from amongst its members, comprising no fewer than three (3) members, all of whom shall be non-executive directors, where the majority shall be independent directors.

At least one (1) member of the Audit and Risk Management Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he 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
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

No alternate director shall be appointed as member of the Audit and Risk Management Committee.

The members of the Audit and Risk Management Committee shall elect a chairman from among themselves who shall be an independent director.

In the event of any vacancy in the Audit and Risk Management Committee resulting in non-compliance with its composition as above, the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

A member who was a former key audit partner is required to observe a cooling-off period of at least three (3) years before being appointed to the Audit and Risk Management Committee.

The terms of office and performance of the Audit and Risk Management Committee and each of its members shall be reviewed by the Nominating and Remuneration Committee at least once a year.

2. Duties and Responsibilities

The duties and responsibilities of the Audit and Risk Management Committee shall include the following:

- i. to recommend the appointment or re-appointment of the external auditors, the audit fee and consider any questions of resignation or dismissal including whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- ii. to review with the external auditors, the audit plan, the nature and scope of audit including any changes to the planned scope of the audit plan before the audit commences and the audit report;
- iii. to review the evaluation of the system of internal control with the external auditors, including any suggestions for improvement and management's responses;

- iv. to review the provision of non-audit services by external auditors;
- v. to assess the objectivity and independence of the external auditors where the external auditors also provide non-audit services to the Group;
- vi. to discuss problems and reservations arising from the audits and any matters the external auditors may wish to discuss (in the absence of management where necessary), including assistance given by the employees of the Group to the external auditors;
- vii. to review the quarterly results and annual financial statements before the approval by the Board, focusing particularly on, *inter-alia*, changes in or implementation of major accounting policy and practices, significant adjustments arising from the audit, significant adjustments made by management, significant and unusual events or transactions, and how these matters are addressed, compliance with accounting standards and other legal requirements;
- viii. to assess the financial risk and matters relating to related party transactions and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- ix. to ensure that the internal audit function is independent of the activities it audits, 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;
- x. to review the overall performance of the internal audit function, including the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken, whether or not appropriate action is taken on the recommendations of the internal audit function and to ensure that the internal audit function reports directly to the Audit and Risk Management Committee;
- xi. to assess the effectiveness of the risk management framework, review and monitor risk reporting; and
- xii. to perform any other functions as may be requested by the Board.

3. Authority

The Audit and Risk Management Committee shall, wherever necessary and reasonable for the performance of its duties and in accordance with the procedures determined by the Board and at the cost of the Company:

- i. have authority to investigate any matter within its terms of reference;
- ii. have the resources which are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the Company and the Group;
- iv. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- v. be able to obtain independent professional or other advice and secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- vi. 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 Company, whenever deemed necessary.

4. Meetings

The Audit and Risk Management Committee shall meet not less than four (4) times a year and additional meetings may be held, as and when necessary, at the discretion of the Chairman. The external auditors may request for a meeting if they consider necessary.

Other Board members, representative of the external auditors and internal auditors may attend the meetings upon invitation of the Audit and Risk Management Committee. However, the Audit and Risk Management Committee should meet with the external auditors without the presence of management at least twice a year.

The quorum shall consist of two (2) members and majority of the members present must be independent directors.

The Company Secretary shall be the Secretary of the Audit and Risk Management Committee and shall be responsible to draw up and circulate the agenda and the notice of meetings together with the supporting explanatory documentation for each meeting prior to the meeting with the approval of the Chairman.

The Secretary of the Audit and Risk Management Committee shall be entrusted to record all proceedings and minutes of each meeting. Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit and Risk Management Committee and other members of the Board. The Chairman of the Audit and Risk Management Committee shall report on the proceedings of each meeting to the Board.