

SCIENTEX BERHAD
AUDIT AND RISK MANAGEMENT COMMITTEE
TERMS OF REFERENCE

PURPOSE

The main purpose of the Audit and Risk Management Committee is to assist the Board in ensuring effective governance and overseeing the financial reporting process, review and monitor risk management framework and internal control system, evaluate the adequacy of both the internal audit function and the external auditor, and review any related compliance activities of Scientex Berhad (“Company”) and its subsidiary companies (“Group”).

COMPOSITION

1. The Audit and Risk Management Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of not less than three (3) members whereby at least one member of the Audit and Risk Management Committee:
 - a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - b) if he is not a member of the MIA, he must have at least three (3) years' working experience and;
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - 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
 - c) either hold a degree/masters/doctorate in accounting or finance, or a member of any professional accountancy organization which has been admitted as a full member of the International Federation of Accountants and have at least three (3) years' post qualification experience in accounting and finance; or
 - d) have at least 7 years' experience of being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
2. All the Audit and Risk Management Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.
3. No alternate Director is to be appointed as a member of the Audit and Risk Management Committee.
4. The members of the Audit and Risk Management Committee must elect a Chairman from amongst themselves who is an Independent Director.
5. In the event of any vacancy in Audit and Risk Management Committee resulting in non-compliance of paragraphs 1, 2 and 4 above, the Board shall within three (3) months of that event, appoint such new members as may be required to fill the vacancy.
6. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually.

AUTHORITY

The Audit and Risk Management Committee is authorized by the Board to:

1. Investigate any matter within its terms of reference;
2. Have the resources which are required to perform its duties.
3. Have full and unrestricted access to any information pertaining to the Company and shall have the resources it requires to perform its duties. All employees are directed to co-operate with any request made by the Audit and Risk Management Committee.
4. Obtain independent professional or other advice as necessary to assist the Audit and Risk Management Committee in fulfilling its duties.
5. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
6. 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.
7. Request the attendance of any members of other Board's committees and any employee of the Group or other individual at a meeting of the Committee, when required.

FUNCTIONS AND DUTIES

The functions and duties of the Audit and Risk Management Committee include the following: -

➤ Risk Management and Internal Control

1. To ensure that Management has an effective risk management and internal control system in place to identify, control and minimise risk exposures to the Group.
2. To review the risk management and internal control system of the business and the material exposures and strategies to mitigate such significant risks.
3. To review the adequacy of the Group's overall risk assessment processes and the ability of the Group to identify and manage new material risks.
4. To review, on an ad-hoc basis, the risk management systems and reporting processes for specific projects or investments.
5. To review, on an ad-hoc basis, specific operational segments or divisions of the Group that may be posing unusual significant risks that may have a material impact to the Group and review reports on any material breaches of risk limits and the adequacy of proposed action.
6. To oversee the overall compliance with applicable laws and regulations, internal control guidelines and procedures, and any other relevant policies of the Group.
7. To report to the Board on the adequacy and effectiveness of risk management systems established by Management and the insurance coverage taken by the Group in respect of the transfer of risks and advise the Board on the Group's overall risk tolerance and risk system as and when required.

➤ **Internal Audit and External Audit**

1. To review the following and report the same to the Board: -
 - a) With the external auditors, the audit plan;
 - b) With the external auditors, their evaluation of the system of internal controls;
 - c) With the external auditors, their audit report;
 - d) The assistance given by the employees of the Company to the external auditors;
 - e) 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;
 - f) The internal audit plans, processes, the results of the internal audit assessments, or investigation undertaken and whether appropriate action is taken on the recommendations.
2. To discuss any issues and reservations arising from the final audit, and any matter the auditors may wish to discuss (in the absence of management, where necessary).
3. To recommend the nomination of a person or persons as external auditors and consider the appointment of the external auditors and to review its subsequent re- appointment, the audit fee and any questions of resignation or dismissal and report the same to the Board.
4. To consider any other functions or duties as may be agreed to by the Audit and Risk Management Committee and the Board.

➤ **Reporting**

1. To review the quarterly results and year-end financial statements of the Group and the Company before the approval by the Board, focusing particularly on: -
 - a) Changes in or implementation of major accounting policy changes;
 - b) Significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events, or transactions and how these matters are addressed; and
 - c) Compliance with accounting standards and other legal requirements.
2. To review any related party transactions and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.

MEETINGS AND REPORTING PROCEDURES

The Audit and Risk Management Committee shall meet at least four (4) times in a financial year. The Chairman may call for additional meetings at any time at his discretion or if requested to do so by any Committee Member or Internal Auditors or External Auditors, to consider any matter within the scope and responsibilities of the Committee. The quorum for a meeting shall consist not less than two (2) members, the majority of those present must be Independent Directors.

The Group Financial Controller, representative of the external auditors, other Board members, employees, and/or independent professional advisers may attend meetings upon the invitation of the Audit and Risk Management Committee.

Notice of the proposed agenda for each meeting will be distributed in a timely manner to the members of the Audit and Risk Management Committee. As a reporting procedure, the secretary of the Audit and Risk Management Committee shall keep the minutes of each meeting and circulate to the members of the Audit and Risk Management Committee and to all members of the Board for notation and action, where necessary.