

MCE HOLDINGS BERHAD
Registration No. 201501033021 (1158341-K)
(Incorporated in Malaysia)

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

The Board's Audit and Risk Management Committee ("ARMC" or "the Committee") is established as a Committee of the Board pursuant to Clause 145 of the Company's Constitution and integrates the functions of a risk management committee required under the Malaysian Code of Corporate Governance.

FORMATION

I. MEMBERSHIP

1. The ARMC shall be appointed by the Board of Directors and shall be comprised of a minimum of three (3) Directors subject to a maximum of five (5) Directors or such number as may be determined by the Board of Directors from time to time.
2. All ARMC members must be Non Executive Directors, with a majority of them being Independent Directors as defined in Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR").
3. The members of the ARMC shall elect a Chairman from among themselves who shall be an Independent Director; and
4. At least one (1) member of the ARMC:-
 - i) must be a member of the Malaysian Institute of Accountants ('MIA'), or
 - ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
 - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (b) 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.
 - iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
5. No Alternate Director shall be appointed as a member of the ARMC.
6. If a member of the ARMC retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 1 and 4 above, the Board shall within three (3) months of these events, fill the vacancy
7. The company secretary or such other person as the ARMC may determine shall be the Secretary of the ARMC.

No former key audit partner of the External Auditors of the Company and or its subsidiaries shall be appointed as a member of the ARMC before observing a cooling-off period of at least three (3) years before being appointed as a member of the ARMC. For the purpose of the foregoing, a former key audit partner means the engagement partner, the individual who is responsible for the engagement of quality control review and other audit partners, if any, on the engagement team who make key decisions and/or judgments on significant matters with respect to the audit of the financial statements on which the auditor will express an opinion.

The Nomination and Remuneration Committee of the Company must review the term of office and performance of the ARMC and each of its members annually to determine whether the ARMC and members have carried out their duties in accordance with their terms of reference.

II. POLICY

It is the policy of Company to establish an ARMC to provide assistance to the Board in relation to fulfillment of the Board's statutory as well as fiduciary responsibilities and ensure that the internal and external audit functions of the Group are being carried out adequately and effectively.

III. DUTIES AND FUNCTIONS

The ARMC shall review, report and make recommendations to the Board on the following matters:-

1. The appointment of the external auditors, the audit fee and any questions of re-appointment, resignation or dismissal and in particular to assess the suitability and independence of the external auditors on an annual basis. In assessing the suitability, objectivity, and independence of the external auditors, to consider the information presented in the Annual Transparency Report of the audit firm.
2. To review, discuss and approved the non-audit services to be 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.
3. To obtain written assurance from the external auditors 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.
4. To review with the external auditors;-
 - * the audit plan and the audit reports;
 - * their evaluation of the system of the internal controls;
 - * their audit report;
 - * their management letter and management's response;
 - * the assistance given by the Company's employees to the external auditors; and
 - * to discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary).
5. To review:-
 - the Annual Report, quarterly and year-end financial statements of the Company and Group prior to the approval of the Board of Directors, and thereafter to submit them to the Directors of the Company focusing particularly on:-
 - i) changes in or implementation of major accounting policies and practices;
 - ii) significant matters highlighted including financial reporting issues, significant adjustments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - iii) the going concern assumption; and
 - iv) compliance with applicable financial and accounting reporting standards and other legal requirements.

- any related party transaction 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
6. Establishment of an internal audit function which is independent of the activities it audits and in relation thereto:-
- ensure that the head of the internal audit function reports directly to the ARMC;
 - 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;
 - review the internal audit programme, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - inform itself of changes in personnel of the internal audit staff members and make available the opportunity for resigning staff members to submit his reasons for resigning; and
 - conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes within the company.
7. To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles and spirit set out in the MCCG, other applicable laws, rules, directives and guidelines.
8. In relation to risk management, the functions of ARMC shall include :-
- (a) Review, assess, formulate and recommend risk management strategies, framework, policies, processes, tolerance and risk appetite limits to the Board;
 - (b) Monitoring of Group risk exposures to ensure implementation and compliance with approved risk policies and processes of the Group, and to ensure that significant risks identified are being responded to appropriately;
 - (c) Review status of management action in mitigating significant risks identified;
 - (d) Review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system and to recommend such changes as may be deemed necessary to the Board;
 - (e) Review and assess the risks associated with all proposed strategic transactions of the Group and report the same to the Board for its deliberation of the transaction; and
 - (f) To coordinate on the activities of the internal audit function of the Group in relation to the review of risk management activities and to ensure significant business risks are adequately managed by the Group company to ensure internal audit are carried out in accordance with recognized framework;

9. In relation to sustainability management, the functions of ARMC shall include to:-

- a) Advising the Board and recommending the strategies in respect of sustainability and sustainability related policies for adoption;
- b) Monitoring the implementation of sustainability strategies as approved by the Board;
- c) Overseeing the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;
- d) Overseeing the management of sustainability matters, with particular focus on matters material to the Group organization; and
- e) Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

IV. AUTHORITY

The ARMC is authorised by the Board to :-

- a) investigate any matter or activity 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 and Group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) obtain independent professional or other advice when needed and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary; and
- f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

V. PROCEDURE OF ARMC

1. The Committee may meet together for the despatch of business, adjourn and subject to Clauses 145 to 147 of the Company's Constitution otherwise regulate their meetings as they think fit, provided that the Committee shall meet at least four (4) times in a calendar year.
2. A member of the ARMC, may participate in a meeting of the ARMC by means of a conference telephone, electronic or any communication facilities which allows all persons participating in the meeting to hear each other. A participant shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly notwithstanding the fact that he is not physically present at the venue where the meeting is to be held. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.
2. Any member of the Committee may at any time and the Secretary shall on such request summon a meeting of the Committee.
3. At least seven (7) days notice of a meeting of the Committee shall be given to all Committee Members in writing at his last known address or other address given by him for the purpose. The Committee Members may meet on shorter notice and waive notice of any meetings as they deem necessary subject to the consent and agreement of all Committee Members.

The quorum necessary for the transaction of business shall be two (2) comprised of a majority of Independent Directors.

4. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
5. The external auditors may request a meeting if they consider that one is necessary and the Chairman upon such request will convene a meeting for the purpose.

The external auditors shall have the right to appear and be heard at any meetings of the Committee.

The Committee shall meet with the external auditors at least twice a year and if deemed necessary without the presence of any executive Board member.

6. The Chief Financial Controller / Head of Finance, the Head of Internal Audit shall normally attend meetings or be excluded at the discretion of the Chairman. The Chairman shall, where he deems appropriate, invite any other Board members, employees, third party professionals and/or any person(s) with the relevant experience and expertise to attend any meetings of the Committee.
7. The Committee shall cause minutes to be duly entered into books provided for the purposes:-
 - a) of the names of all committee members and other participants at each meeting of the Committee;
 - b) of all resolutions and proceedings of committee meetings; and
 - c) of all orders, recommendations and reports made by the Committee.

Such minutes shall be signed by the Chairman of the Committee at which the proceedings were held or by the Chairman of the next succeeding meeting, and if so signed, shall be conclusive evidence without any further proof of the facts therein stated.

8. The books containing the Minutes of proceedings of the Committee shall be kept by the Company at the Registered Office of the Company subject to the provisions of the Companies Act, 2016, relating to keeping of Minutes of the Board of Directors and any Committee of the Board of Directors.

VI. REVIEW

The ARMC will review its Terms of Reference at least once every three (3) years or as and when the need arises to keep it current and relevant at all times with the MCCG and MMLR.

This Terms of Reference was approved and adopted by the Board on 13 June 2016.

This Terms of Reference was last reviewed and revised on 26 June 2023