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# Terms of Reference for Audit and Risk Management Committee

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*Date: 9 April 2024*

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## TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

### 1. Objectives

The primary function of the Audit and Risk Management Committee (the “Committee”), formed by the Board, is to assist the Board of Directors in fulfilling its fiduciary duties as well as the following oversight objectives on the activities of the Group [comprising Innity Corporation Berhad and its subsidiaries]:

- oversee financial reporting process; and
- evaluate the internal and external audit processes, including issues pertaining to the system of internal control, risk management and governance within the Group.

### 2. Composition

The Board shall elect the Committee members from amongst themselves, comprising no fewer than three (3) Directors (none of whom shall be Executive or Alternate Director) and the majority shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of “independent directors” under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). All the members shall be financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants (“MIA”); or
- if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - he must be a member of the associations of accountants specified in Part II of the Accountants Act 1967; or
  - fulfils such other requirements as prescribed or approved by Bursa Securities.

The Chairman of the Committee shall be an Independent Non-Executive Director and is not the Chairman of the Board.

In the event of any vacancy in the Committee resulting in the non-compliance of Rules 15.09(1) and 15.10 of the ACE Market Listing Requirements of Bursa Securities, vacancy must be filled within 3 months.

It is required for a former key audit partner to observe a cooling-off period of at least three years before being appointed as a member of the Committee.

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

### **3. Quorum and Meeting Procedures**

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Group Managing Director or the internal or external auditors.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary, his/ her representative or other appropriate senior officer shall act as secretary of the Committee (the “Secretary”). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least seven (7) days prior to each meeting to the members of the Committee.

The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Committee shall meet with the external auditors and internal auditors without the presence of any executive Board members, Management or employees, whenever deemed necessary. In addition, Management, the internal auditor and external auditors may request for a private session with the Committee to discuss any matter of concern.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter. A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more committee members.

The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

### **4. Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities.

The Committee shall have full and unlimited access to any information pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee shall have the resources that are required to perform its duties.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

## **5. Responsibilities and duties**

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

### **(a) External Audit**

- (i) review with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan;
- (ii) review the external audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified;
- (iii) review major audit findings and Management's response during the year with Management and external auditors, including the status of previous audit recommendations;
- (iv) to set policies and procedures to assess the suitability, objectivity and independence of the external auditors which covers criteria to guide appointment and re-appointment that include competency, audit quality, resource capacity and audit fees of the external auditor in relation to the audit and also consider information presented in the Annual Transparency Report of the audit firm,
- (v) To review and approve the non-audit services provided by the external auditors and/or its network firms to the Company for the financial year, 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 the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided before the services are rendered;

- (vi) To review and assess each year, the suitability, objectivity and independence of external auditors;
- (vii) review the appointment, re-appointment, decision to not re-appoint, resignation or removal of external auditors and the audit fee before making recommendations to the Board; and
- (viii) review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

**(b) Internal Audit Function**

- (i) Audit Committee shall be responsible for the appointment and removal, scope of work, performance evaluation and budget for internal audit function.
- (ii) in developing and reviewing plan and scope of work of internal audit function, Audit Committee must satisfy itself that the person responsible for internal audit has the relevant experience, sufficient standing, competency, resources and authority in discharging his/her duty;
- (iii) ensure the internal audit function carried out objectively and is independent of the activities it audits and the head of internal audit must report functionally to the Committee directly and review their performance on an annual basis. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;
- (iv) take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- (v) review the internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified.

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**(c) Internal Control and Risk Management**

- (i) review the risk profile of the Group (including risk registers) and the Risk Management team's plans to mitigate business risks as identified from time to time;
- (ii) review the adequacy and integrity, including effectiveness, of risk management, governance and internal control systems/framework, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems; and
- (iii) direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.

**(d) Related Party Transactions**

- (i) review any related party transaction (including recurrent related party transactions) and conflict of interest ("COI") situation that arose, persists or may arise within the Company or the Group including any transaction, procedure or course of conduct that raises question of Management's integrity, as well as the measures taken to resolve, eliminate or mitigate such COI. The Committee is required to disclose a summary of COI or potential COI situation within the Company or the Group in its Audit and Risk Management Committee report; and
- (ii) Review COI framework established by the management for the purposes of identifying, evaluating, approving, reporting and monitoring of COI situations.

**(e) Disclosure Obligations**

- (i) review the quarterly results and the year end financial statements, prior to approval by the Board, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - compliance with accounting standards and other legal requirements.

- (ii) prepare reports, at the end of each financial year to the Board which includes the following:
- the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
  - the number of Committee meetings held during the financial year and details of attendance of each Committee member;
  - a summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
  - a summary of the work of the internal audit function.

**(f) Others**

- (i) review procedures in place to ensure that the Group is in compliance with the Companies Act 2016 and ACE Market Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- (ii) To assist the Board to proactively consider sustainability issue when overseeing the planning, performance and long-term strategies of the Company.
- (iii) To assist the Board to identify a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company. Board together with the management take responsibility for the governance, addressing material risks and opportunities of sustainability in the Company.
- (iv) any other activities, as authorised by the Board;

**6. Annual General Meeting**

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **7. Minutes**

All the minutes of meetings of the Committee shall be kept at the Registered Office and copies thereof shall be circulated to all members of the Board. Any request by Management/ other person(s) to inspect the minutes shall be subject to the approval of the Committee.

## **8. Revision of the Terms of Reference**

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.

Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

*(This Revised Terms of Reference for the Audit and Risk Management Committee was approved and adopted by the Board on 9 April 2024)*

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