

**PELIKAN INTERNATIONAL CORPORATION BERHAD**

[Registration No. 198001009827 (63611-U)]

(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE**

*(Revised w.e.f. 25 March 2022)*

**1. OBJECTIVES**

The principal objective of the Audit and Risk Management Committee ("**ARMC**") is to assist the Board of Directors ("**the Board**") in discharging its statutory duties and fiduciary duties relating to corporate accounting and reporting practices of the Company and its subsidiaries ("**the Group**").

In addition, the ARMC shall:-

- a) evaluate and appraise the quality of the audits performed by the internal and external auditors;
- b) maintain open lines of communication between the Board, internal and external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- c) determine the quality, adequacy and effectiveness of the Group's administrative, operating and accounting controls;
- d) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- e) provide assurance that the financial information presented by management is relevant, reliable and timely.

**2. COMPOSITION OF MEMBERS**

The Board shall appoint the ARMC members from amongst themselves, comprising no fewer than three (3) members, all of whom shall be non-executive directors, with a majority of whom shall be independent directors. No alternate director of the Board shall be appointed as a member of the ARMC.

In this respect, the Board adopts the definition of "independent director" as defined under the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia Securities**").

All members of the ARMC shall be financially literate and at least one (1) member of the ARMC must be:-

- a) a member of the Malaysian Institute of Accountant ("**MIA**"); or
- b) if he/she is not a member of MIA, he/she must have at least three (3) years of working experience and:

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- i) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii) he/she must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities.

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

If a member of the ARMC resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint or elect such number of the new members as may be required to fill the vacancy.

As a matter of policy, no former partner of the external audit firm of the Company shall be appointed as a member of the ARMC before observing a cooling-off period of at least three (3) years. The former partner of the audit firm and/or the affiliate firm includes those providing advisory services, tax consulting and etc.

### **3. CHAIRMAN OF THE ARMC**

The members of the ARMC shall elect a Chairman from amongst their number who shall be an independent director and is not the Chairman of the Board.

The position of the Chairman of the ARMC shall not be vacant for more than three (3) months from the date of such vacancy arises.

In the absence of the Chairman of the ARMC, the other members of the ARMC shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

### **4. SECRETARIES**

The Company Secretaries shall be the Secretaries of the ARMC and shall be responsible, in conjunction with the Chairman of the ARMC, for drawing up the agenda and circulating it prior to each meeting. In his/her absence, the Chairman of the ARMC shall appoint the Secretary.

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**5. MEETINGS AND CIRCULAR RESOLUTIONS**

The ARMC shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman of the ARMC may call for additional meetings at any time at the Chairman's discretion.

The Chairman of the ARMC shall also convene a meeting of the ARMC if requested to do so by any member, the Management, the internal or external auditors to consider any matter that falls within the scope of responsibilities of the ARMC.

Notice of ARMC meetings shall be given to all the ARMC members unless the ARMC waives such requirement.

The Chairman of ARMC shall engage on a continuous basis with the Chairman of the Board, senior management, such as the Chief Executive Officer and the Finance Director, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company and the Group.

The Finance Director and the Head of Internal Audit and the External Auditors should normally attend meetings. The representatives of the internal and external auditors are to be in attendance at meetings where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed. Other Board members, officers and employees of the Company and the Group may attend meetings upon the invitation of the ARMC.

The ARMC shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the ARMC shall have a second or casting vote.

A resolution in writing signed by a majority of the ARMC members for the time being entitled to receive notice of a meeting of the ARMC shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form each signed by one (1) or more members of the ARMC. Any such document may be accepted as sufficiently signed by a member of the ARMC if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a member of the ARMC.

For the purpose of contemporaneous linking together by an instantaneous telecommunication device of a number of the member of the ARMC no less than the quorum required, whether or not any one (1) or more of the member of the ARMC is out of Malaysia, is deemed to constitute a

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meeting of the ARMC. The ARMC will apply to such meeting held by instantaneous telecommunication device so long as the following conditions are met:-

- a) all the member of the ARMC shall have received notice of a meeting by instantaneous telecommunication device for the purpose of such meeting. Notice of such meeting will be given on the instantaneous telecommunication device or in any other manner permitted;
- b) each of the member of the ARMC taking part in the meeting by the instantaneous telecommunication device must be able to hear each other at the commencement and for the duration of the meeting; and
- c) at the commencement of the meeting, each of the member of the ARMC must acknowledge his/her presence for the purpose of the meeting to all of the other member of the ARMC taking parts.

**6. MINUTES**

Minutes of each meeting of the ARMC shall be kept at the registered office and distribute to each member of the ARMC and also to the other members of the Board. The ARMC Chairman shall report on the proceeding of each meeting to the Board.

The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

The members of the ARMC may inspect the minutes of the ARMC at the registered office or such other place as may be determined by the ARMC.

**7. QUORUM**

The quorum for the ARMC meeting shall be the majority of members present whom must be independent directors.

**8. REPORTING**

The ARMC shall report to the Board, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least twice a year, but more frequently if it so wishes.

The ARMC shall report to the Board on any specific matters referred to it by the Board for investigation and report.

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**9. AUTHORITY**

The ARMC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company and the Group,

- a) have explicit authority to investigate any activity within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC;
- b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and the Group;
- c) have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity, if any;
- d) obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the ARMC's meetings and to brief the ARMC, if necessary;
- e) have right to ensure the attendance of any particular ARMC meeting by other Directors and employees of the Company shall be at the ARMC's invitation and discretion and must be specific to the relevant meeting; and
- f) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main LR of Bursa Malaysia Securities, the ARMC shall promptly report such matter to Bursa Malaysia Securities.

**10. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the ARMC are as follows:-

- a) to consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal including recommending the nomination of person(s) as external auditors;
- b) to establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
- c) to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;

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- d) to review with the external auditors on:-
- i) the audit plan, its scope and nature;
  - ii) the audit report;
  - iii) the result of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
  - iv) the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with the Management encountered during the audit;
- e) to review the quarterly reports on consolidated results and and year-end financial statements of the Group before submission to the Board, focusing particularly on:-
- i) changes in or implementation of major accounting policies and practices;
  - ii) significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and how these matters are addressed;
  - iii) compliance with applicable accounting standards and other legal requirements;
  - iv) significant adjustment arising from the audit;
  - v) the going concern assumption; and
  - vi) major judgment areas;
- f) to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of the Management, where necessary);
- g) to review with the Management:-
- i) audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
  - ii) interim financial information; and
  - iii) the assistance given by the officers of the Company to external auditors;
- h) to do the following, in relation to the internal audit function:-
- i) review the adequacy of the scopes, functions, competency and resources of the internal audit function, and ensure that it has the necessary authority to carry out its works;
  - ii) review the internal audit programmes and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - iii) review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by the Management in response to audit findings;

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- iv) review any appraisal or assessment of the performance of the members of the internal audit function; and
- v) approve an appointment or termination of senior staff members of the internal audit function or changes in the service provider for the outsourced internal auditors;
- i) to consider any related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors' report such transaction annually to shareholders via the annual report, and to review conflict of interest that may arise within the Company or the Group including any transaction, procedure or code of conduct that raises questions of the Management's integrity;
- j) to report its findings on the financial and management performance, and other material matters to the Board;
- k) to consider the major findings of internal investigations and the Management's response;
- l) to verify the allotment of shares under Executives' Share Option Scheme ("ESOS") is in compliance with the basis set out in the Main LR of Bursa Malaysia Securities and ESOS by-laws;
- m) to monitor the integrity of the Company's and the Group's financial statements;
- n) to review the independence and qualification of the Company's external auditors;
- o) to monitor the performance of the Company's internal audit function;
- p) to monitor the Company's compliance with relevant laws, regulations and code of conduct;
- q) to review the adequacy and effectiveness of risk management, internal control and governance systems;
- r) to review the ARMC Report, Statement on Internal Audit Function and Statement on Risk Management and Internal Control for inclusion in the Annual Report;
- s) to review the terms of reference of the ARMC as and when required and recommend any change to the terms of reference to the Board for approval; and
- t) to consider and examine such other matters as the ARMC considers appropriate; and
- u) to consider other matters as defined by the Board.