



**AVALAND BERHAD**

Company Registration No.: 200901038653 (881786-X)  
(Incorporated in Malaysia)

**Terms of Reference  
of  
Audit and Risk Management Committee**

## Table of Contents

1.	Membership	1-2
	1.1 Composition 1.2 Term 1.3 Vacancy	
2.	Rights	2
3.	Duties and Responsibilities	2-4
	3.1 Oversight of Financial Reporting 3.2 Evaluation of External Auditor 3.3 Evaluation on Internal Audit Function 3.4 Risk Management and Internal Control 3.5 Oversight of Conflict of Interest Situation and Related Party Transactions 3.6 Other Matters	
4.	Meetings	5-6
5.	Continuous Professional Development	6
6.	Review of Terms of Reference	6

## Terms of Reference of Audit and Risk Management Committee

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The Board of Directors (“**Board**”) of Avaland Berhad (hereinafter known as “**Avaland**” or the “**Company**”) had on 3 April 2015, reconstituted and renamed the Audit Committee, which was established on 12 August 2010, as the Audit and Risk Management Committee (“**ARMC**”).

### 1. Membership

#### 1.1 Composition

- (a) The Board shall appoint the ARMC from amongst themselves, and the ARMC must be composed of not fewer than three (3) members.
- (b) All ARMC members must be non-executive directors, with a majority of them being independent directors.

*In this respect, the Board adopts the definition of “independent director” as set out in the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and any practice notes issued thereto.*

- (c) The ARMC should possess a wide range of necessary skills to discharge its duties. All ARMC members shall be financially literate, competent and are able to understand matters under the purview of the ARMC, including the financial reporting process.
- (d) At least one 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 three (3) years working experience and:
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) 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 may be prescribed or approved by Bursa Securities.
- (e) No alternate director shall be appointed as a member of the ARMC.
- (f) A former key audit partner shall observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

- (g) The ARMC members must elect a chairman from among themselves who is an independent director. The chairman of the ARMC shall not be the chairman of the Board.

## **1.2 Term**

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

## **1.3 Vacancy**

In the event of any vacancy in the ARMC resulting in the non-compliance of paragraph 1.1 above, the vacancy shall be filled within three (3) months.

## **2. Rights**

Whenever necessary and reasonable for the performance of its duties, the ARMC shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

- (a) have authority to investigate any matter 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 its subsidiary companies ("**Group**");
- (d) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

## **3. Duties and Responsibilities**

The duties and responsibilities of the ARMC are as follows:

### **3.1 Oversight of Financial Reporting**

- (a) To review the quarterly results and year-end financial statements before the approval of the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) 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

## **AVALAND BERHAD**

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- (iii) compliance with accounting standards and other legal requirements.
- (b) To report its findings on the financial and management performance and other significant matters to the Board, and if appropriate, recommend to the Board the issuance of the quarterly and year-end financial statements to the Bursa Securities.

### **3.2 Evaluation on External Auditor**

- (a) To consider the nomination and appointment of the external auditors and review any letter of resignation from the external auditors.
- (b) To annually assess their suitability and independence to determine if there is a reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.
- (c) To review the external auditors' audit plan, audit report and evaluation of the system of internal controls and to report the same to the Board.
- (d) To discuss problems and reservations arising from audits and any matter the external auditor may wish to discuss (in the absence of the management where necessary).
- (e) To declare their independence to the ARMC. The ARMC shall obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement.
- (f) To ensure assistance and full access to all information, documents, and records required by the auditor are given by management to the external auditors.

### **3.3 Evaluation on Internal Audit Function**

- (a) To review the adequacy of the scope, functions, competency and resources of the internal audit function, which reports directly to the ARMC and that it has the necessary authority to carry out its work.
- (b) To review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.
- (c) To appraise the performance of the internal audit function on an annual basis.
- (d) To determine the internal audit function, including its objectives, strategies, roles and responsibilities, scope and remuneration.
- (e) To review and approve the Internal Audit Charter and subsequent revisions to the Internal Audit Charter.

### **3.4 Risk Management and Internal Control**

- (a) To review the adequacy and effectiveness of risk management, internal control and governance systems implemented within the Group.

## **AVALAND BERHAD**

Company Registration No.: 200901038653 (881786-X)  
(Incorporated in Malaysia)

- (b) To review the Group's risk appetite and risk tolerance with management and assess whether the Group's strategy is consistent with the agreed-upon risk appetite and tolerance for the Group.
- (c) To establish/maintain a clear framework to hold management accountable for building and maintaining an effective risk appetite framework and providing the Board with regular periodic reports on the Group's residual risk status.
- (d) To review with management the design of the Group's risk management function, as well as the qualifications and backgrounds of risk personnel and the policies applicable to risk management, to assess whether they are appropriate given the Group's size and scope of operations.
- (e) To oversee the conduct and review group-wide risk assessments, including identifying and reporting of critical risks.
- (f) To review with management the categories of risk the Group faces, including any risk concentrations and risk interrelationships, as well as the likelihood of occurrence, the potential impact of those risks, mitigating measures and action plans to be employed if a given risk materialises.
- (g) To review management's implementation of its risk policies and procedures to assess whether they are being followed and are effective.
- (h) To review the statement of risk management and internal control in the Company's annual report.

### **3.5 Oversight of Conflict of Interest Situations and Related Party Transactions**

- (a) To ensure that Management establishes a comprehensive framework to identify, evaluate, approve, report the related party transactions and monitor the conflict of interest situations.
- (b) To review and report to the Board on any related party transaction (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. These include any transaction, procedure or course of conduct that raises questions of the management's integrity. The ARMC should therefore ensure that the transactions carried out are, amongst others, in the best interest of the Company as well as not detrimental to the minority shareholders.

### **3.6 Other Matters**

- (a) To consider the significant findings of internal investigations and the management's responsibility for such investigations and action plan if there is any.
- (b) To report to the Bursa Securities promptly on any matter resulting in a breach of the MMLR.
- (c) To consider any other topics defined by the Board from time to time or as the ARMC considers appropriate.

#### **4. Meetings**

- (a) The ARMC shall hold at least four (4) meetings annually.
- (b) The quorum for each meeting shall be two (2) ARMC members. The majority of ARMC members present must be independent directors.
- (c) In the absence of the ARMC chairman, the other members shall amongst themselves elect another ARMC member, who must be an independent director, to chair the meeting.
- (d) The Company Secretary shall serve as the secretary of the ARMC and shall be responsible for ensuring that the ARMC meeting procedures are followed and preparing the meetings' minutes. The Company Secretary shall be responsible for drawing up the agenda with the concurrence of the ARMC chairman.
- (e) Notice of ARMC meeting shall be given to all ARMC members unless the ARMC waives such requirement.
- (f) The ARMC members may participate at a meeting of ARMC by way of telephone or video conferencing or by means of other communication equipment or electronic means which enable all persons participating at the meeting to hear and/or see each other for the entire duration of the meeting in which event such ARMC member shall be deemed to be physically present at the meeting. Such ARMC members' participation in a meeting shall consider in ascertaining the presence of a quorum at the meeting.
- (g) The internal auditor shall attend ARMC meetings to present and discuss audit reports and other relevant matters and the recommendations relating thereto and follow up on all appropriate decisions made. Other directors and employees may attend any particular ARMC meeting only at the invitation of ARMC, specific to the relevant meeting.
- (h) At the request of the external auditor, the chairman shall convene a meeting of the ARMC to consider any matter which the external auditor believes should be brought to the attention of the Board or shareholders.
- (i) The ARMC shall meet with the external auditors without executive board members present whenever it deems necessary.
- (j) The minutes of the ARMC meetings 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 ARMC minutes are to be extended to the Board for notation purposes.
- (k) Minutes of each ARMC meeting shall be kept at the registered office and distributed to each ARMC member. The ARMC chairman shall report on its proceedings of each meeting to the Board. The ARMC shall make whatever recommendations to the Board on all matters it deems appropriate on any area within its remit where action or improvement is needed.
- (l) Questions arising at any ARMC meeting shall be decided by a majority vote of the members present. In the case of an equality of votes, the ARMC chairman shall have a second or casting vote.

**AVALAND BERHAD**

Company Registration No.: 200901038653 (881786-X)  
(Incorporated in Malaysia)

- (m) A resolution in writing, approved or signed by letter, telegram, telex, facsimile or electronic means by a majority of the ARMC members, for the time being entitled to receive notice of an ARMC meeting shall be as valid and effectual as if it has been passed at an ARMC meeting duly convened and held. Any such resolution in writing may consist of several documents in electronic and like form, each document shall be signed or assented to by one (1) or more members of the ARMC.

**5. Continuous Professional Development**

All ARMC members shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

**6. Review of Terms of Reference**

The terms of reference shall be assessed, reviewed and updated by the ARMC as and when necessary. The Board shall approve any proposed changes.

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Approved and adopted by the Board on 23 February 2022.