

Notion VTec Berhad
Company No. 637546-D

Audit and Risk Management Committee
Terms of Reference

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise not fewer than three (3) members, solely of Independent Directors. At least one (1) member must be a member of the Malaysian Institute of Accountants; or if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and he must have passed the examinations specified in Part I of the 1st 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 1st Schedule of the Accountants Act, 1967; or possess such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad. No alternate director is appointed as a member of the committee.

In the event of any vacancy with the result that the number of members (including Chairman) is reduced to below three, the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the Audit and Risk Management Committee ("the Committee") who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves. For engagement of a former key audit partner as member, there is a cooling-off period of at least 2 years before being appointed as member of the Committee.

The terms of office and performance of an audit and risk management committee and each of its members must be reviewed by the Board of Directors via Nomination Committee to determine whether such audit and risk management committee and members have carried out their duties in accordance with its terms of reference.

2. Chairman

The Chairman, who shall be elected by the Audit and Risk Management Committee, shall be an Independent Non-Executive Director but not the Chairman of the Board. In the event of the Chairman's absence, the meeting shall be chaired by an independent director.

The Chairman should engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the company.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Audit and Risk Management Committee at

the Registered Office or such other place as may be determined by the Audit and Risk Management Committee.

4. Meetings

The Committee shall meet at least four (4) times in each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The quorum for a meeting shall be the majority of members present, who shall be independent directors.

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The External Auditors and internal auditors have the right to appear at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee. The External Auditors may also request a meeting if they consider it necessary. The Committee shall meet at least twice annually with the External Auditors and at least once annually with the Internal Auditors without the presence of any executive Board members, Management or employees. 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 Audit and Risk Management Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Committee duly convened and held.

As a best practice, the Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

5. Rights

The Committee shall, wherever necessary and reasonable for the Company to perform of its duties:-

- (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 Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and senior management and without limitation to information, records, reports and personnel;
- (e) have the right to obtain external legal or independent professional or other advice at the Company's expense;
- (f) have the right to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the presence of the executive board members, whenever deemed necessary;

- (g) promptly report to the Bursa Malaysia Securities Berhad (“Bursa Securities”), matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
- (h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;
- (i) meet as and when required on a reasonable notice;
- (j) the Chairman shall call for a meeting upon the request of the External Auditors; and
- (k) instructing the Risk Management Process Owner (“RMPO”) to perform his/her duties to support ARMC’s function, while also allowing the RMPO to have access to the Chairman of the ARMC, if necessary.

6. Duties

- (a) To review with the external auditors on:
 - the audit plan, its scope and nature;
 - the audit report;
 - the results of their evaluation of the accounting policies and systems of internal controls within the Group; and
 - the assistance given by the employees of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- (b) To review the adequacy of the scope, functions, competency and resources and set the standards of the internal audit function.
- (c) To review the internal audit programme, processes, 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.
- (d) To review with management:
 - audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
 - interim financial information; and
 - the assistance given by the officers of the Company to external auditors.
- (e) To discuss problems and reservations arising from interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management where necessary).
- (f) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
 - any changes in or implementation of major accounting policy and practices;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.

- (g) To set policies and procedures to assess the suitability, objectivity and independence of the external auditors.
- (h) To consider the appointment and / or re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors to the board and to consider among others:-
 - (i) the adequacy of the experience and resources of the accounting firm'
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the listed issuer's group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

The Committee is to also consider the performance of the external auditor and its independence as below:-

- (i) the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - (ii) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - (iii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
 - (iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.
- (i) In the event that the non-audit fees paid to the Company's external auditors, or a firm of corporation affiliated to the external auditors' firm are significant (eg. constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of non-audit services-rendered in the Audit and Risk Management Committee Report.
 - (j) To review 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 transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
 - (k) To provide oversight, direction and counsel to the Board on risk management process, which includes the following:
 - i. Monitor the Group's and the Business Unit (BU)/ functional level risks exposures and management of the significant risks identified.

- ii. Evaluate new risks identified by the senior management and RMPO including the likelihood and impact of the risks happening in the future and to consider the need to put in place the appropriate controls.
 - iii. Review the Group Risk Profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner.
 - iv. Review the status of the implementation of management action plans in mitigating significant risks identified.
- (l) To evaluate the effectiveness of the Group's risk management structure, risk management processes and support system to identify, assess, monitor and manage the Group's key risks.
- (m) Establish and periodically review the adequacy of risk management guidelines and policies and receive reports from the internal auditors and external auditors on the effectiveness of controls in each major risk area to ensure the implementation of the objectives outlined in the policies and compliance with them.
- (n) To comment annually on the effectiveness of risk management activity in the organisation on the basis of audit reports received and the annual report from the Management.
- (o) To comment on the proposals for implementation of risk management and express an opinion on the overall adequacy where applicable.

7. 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 Terms of Reference for the Audit and Risk Management Committee has been approved and adopted by the Board on 23 August 2018.