



**ILB GROUP BERHAD**  
Registration No.199101019353 (229690-K)

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

### **Document**

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18 August 2023	<ol style="list-style-type: none"><li>Enhanced the disclosure under functions, duties and responsibilities</li><li>Added provision in relation to non-assurance services provided by External Auditors</li></ol>	18 August 2023



## AUDIT & RISK MANAGEMENT COMMITTEE

### **COMPOSITION OF THE AUDIT & RISK MANAGEMENT COMMITTEE (“COMMITTEE”)**

SOH ENG HOOI	- Chairman / Independent Non-Executive Director
WAN AZFAR BIN DATO' WAN ANNUAR	- Member / Independent Non-Executive Director
DATO' WAN HASHIM BIN WAN JUSOH	- Member / Independent Non-Executive Director

### **TERMS OF REFERENCE**

#### **1.0 OBJECTIVES**

The primary objective of the Committee is to assist the Board of Directors (Board) in fulfilling its fiduciary responsibilities relating to the corporate accounting and reporting practices of the Company and its subsidiary companies. In addition, the Committee shall :-

- a) Promote integrity and accountability of the operation within the group towards safeguarding the rights and interests of shareholders and investors.
- b) Oversee and appraise the quality of the audit conducted by the Company's external Auditors.
- c) Contribute towards improving the group operations and business efficiency, strengthen public confidence in the accuracy of accounting & audit function and transparency in the Group's reported financial results.
- d) Maintain a direct line of communication between the Board of Directors and the external Auditors as well as the Internal Auditors through regular meetings.
- e) Ensure the independence of the external and internal audit functions.
- f) Review regularly the adequacy of the Group's administrative, operating and accounting controls.
- g) Ensure the Risk Management Structure is embedded in all operating companies of the Group and is responsive to changes in the business environment.
- h) Ensure the Risk Management Structure adopted is consistent throughout the Group and is within the parameters established by the Board.
- i) Ensure the Risk Management Structure adopted is in compliance with the requirements of Bursa Malaysia and the Securities Commission.

#### **2.0 COMPOSITION**

The Committee shall be appointed by the Board from amongst their members and shall be composed of at least three (3) and not more than five (5) members who shall:-

- a) be Non-Executive Directors of the Company, a majority of which are independent.
- b) not comprise persons having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions of the Committee.

One member of the Committee who is not the Chairman of the Board shall be appointed as Chairman of the Committee by the Board. In the absence of such an appointment, one of the independent members who is not the Chairman of the Board shall be elected as Chairman by the Committee members.

Where the composition of the Committee is reduced to less than three members for any reason, the Board shall within three months of the event appoint such number of new members as may be required to make up the minimum number of three members.

At least one member of the Committee must meet the criteria set by the Main Market Listing Requirements of Bursa Malaysia:

- a) must be a member of the Malaysian Institute of Accountants or
- b) if not a member of the Malaysian Institute of Accountants, must have at least three years' working experience, and:
  - (i) must have passed the examination specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - (ii) must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.

An assessment shall be conducted on the members of the Committee by the Board to determine whether the Committee has carried out its duties and responsibilities in accordance with its terms of reference.

No alternate director shall be appointed to the Committee.

Any former key audit partner must have observed a cooling-off period of at least 3 years before one is eligible for appointment as member of the Committee.

### **3.0 AUTHORITY**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It has free access to all information and documents it requires from all employees, the group's properties, books, accounts, records and other information of the group in whatever form for the purpose of discharging its responsibilities.

The Committee is to have direct communication channels with the external and internal auditors and may obtain external legal or other independent professional advice at the Company's cost as it considers necessary.

Any legal or other independent professional advice to be obtained by the Committee must be formally proposed by the Committee to the Chairman of the Board for endorsement.

### **4.0 FUNCTIONS, DUTIES AND RESPONSIBILITIES**

The statutory functions of the Committee as per Paragraph 15.12 of Bursa Malaysia Main Market Listing Requirements are as follows:-

- (1) review the following and report the same to the Board:
  - (a) with the external auditor, the audit plan;
  - (b) with the external auditor, his evaluation of the system of internal controls;
  - (c) with the external auditor, his audit report;
  - (d) the assistance given by the employees of ILB to the external auditor;
  - (e) the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - (f) 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;
  - (g) the quarterly results and year-end financial statements, before the approval by the board of directors, 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
    - (iii) compliance with accounting standards and other legal requirements.

- (h) any related party transaction and conflict of interest situation that arose, persist or may arise within the listed issuer 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;
  - (i) any letter of resignation from the external auditors of the listed issuer; and
  - (j) whether there is reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment; and
- (2) recommend the nomination of a person or persons as external auditors.

The duties and responsibilities of the Committee as entrusted by the Board shall be :-

- a) to meet the external and internal auditors at least twice a year in the absence of the Executive Directors, the CEO and senior management to discuss issues or reservations arising from the audits and any other matters that the auditors may wish to present for the attention of the Committee, where necessary.
- b) to report to the Board of its compliance with laws and regulations, related party transactions, code of ethics, material activities, significant results and findings from internal and external audit, internal control, corporate governance and risk management functions.
- c) to monitor the implementation of sound governance structure, ESG goals and sustainability agenda of the Company.
- d) to monitor the implementation of Anti-Bribery and Anti-Corruption system.
- e) to undertake such other responsibilities as may be agreed to by the Board.

## **5.0 MEETINGS**

- a) The Committee shall meet at least four times a year.
- b) In addition, the chairperson shall convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

## **6.0 ATTENDANCE**

- a. Meetings shall be attended by the Chief Executive Officer, Chief Financial Officer, and a representative of the external auditors.
- b. Management team of the Company and other participants may be invited from time to time to attend the meetings.

## **7.0 QUORUM**

A quorum shall consist of two members, both being independent non-executive directors.

## **8.0 SECRETARY**

The Secretary of the Committee shall be the Company Secretary, who shall be responsible to draw up the agenda for each meeting for the Committee chairman's approval. The agenda shall be forwarded to all members of the Committee at least 3 days before each meeting together with all relevant documentations.

All minutes of Committee meetings shall be distributed, confirmed and signed by the chairman of the meeting at the next meeting. The said signed minutes shall be kept at the registered office of the company under the custody of the Company Secretary.

The minutes shall be available for inspection by the members of the Board, the external auditors and any other persons deemed appropriate by the chairman of the Committee.

## 9.0 NON-ASSURANCE SERVICES PROVIDED BY EXTERNAL AUDITORS

Before appointing the external auditors to undertake a non-assurance service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity.

The external auditor should not be appointed unless appropriate safeguards have been identified to eliminate or reduce the threat to an acceptable level.

Safeguards that may be considered:

- a) ensuring the engagement letter for the work includes a paragraph confirming compliance with applicable auditor-independence laws and standards, etc;
- b) ensuring Management of ILB has sufficient knowledge to assume responsibility for all Management decisions and for the outcome of any reviews;
- c) services performed by personnel not involved in the audit (where relevant and permitted); and
- d) additional arrangements to objectively and independently evaluate the engagement.

The appointment of the external auditors to undertake a non-assurance service must be reviewed and recommended by the ARMC for the Board's approval.