

ANALABS RESOURCES BERHAD (468971-A)

AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

1. Purpose

- 1.1 The purpose of the establishment of the Audit and Risk Management Committee (“**Committee**”) is to assist the Board of Directors in discharging its responsibilities to safeguard the Company’s assets, manage the overall risk exposure of the Group, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The Committee also provides a channel of communication between the Board of Directors, Management, External Auditors and Internal Auditors.

2. Composition

- 2.1 The members of the Committee shall be appointed by the Board of Directors based on the recommendation of the Nomination Committee from amongst the Directors of the Company who fulfil the following requirements:
- (a) the Committee must composed of no fewer than three (3) members;
 - (b) all members of the Committee must be Non-Executive Directors, with a majority of them being Independent Directors;
 - (c) all members of the Committee should be financially literate; and
 - (d) at least one member of the Committee must fulfil the expertise requisite of the Bursa Malaysia Securities Berhad (“**Bursa Securities**”) Main Market Listing Requirements (“**Listing Requirements**”) as follows:
 - (i) he 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:
 - (1) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (2) he must be a member 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 prescribed or approved by Bursa Securities.

- 2.2 In the event a former audit partner is being appointed as a member of the ARMC, it would be the compulsory requirement that the former key audit partner(s) to observe a cooling-off period of at least two (2) years before being appointed.
- 2.3 No Alternate Director shall be appointed as a member of the Committee.
- 2.4 If a member of the Committee resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 above, the Board must fill the vacancy within three (3) months.
- 2.5 The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually. However, the appointment terminates when a member ceases to be a Director.
- 2.6 The Board shall have the discretion as it deems fit to rescind and/or revoke the appointment of any person(s) in the Committee.

3. Chairman

- 3.1 The members of the Committee shall elect a Chairman from amongst their number, who shall be an independent director.
- 3.2 In absence of the Chairman in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.
- 3.3 The Chairman of the Committee shall assume, amongst others, the following responsibilities:
 - (a) Planning and conducting meetings;
 - (b) Overseeing reporting of the proceedings of each Meeting to the Board of Directors;
 - (c) Encouraging open discussion during Meetings; and
 - (d) Developing and maintaining active on-going dialogue with Management and both the Internal and External Auditors.

4. Secretary

- 4.1 The Company Secretary shall be the Secretary of the Committee or in his/her absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.
- 4.2 The Secretary of the Committee shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 4.2 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

5. Meetings

- 5.1 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- 5.2 The quorum for a Committee Meeting shall be at least two (2) members; the majority present must be independent directors.
- 5.3 Notwithstanding paragraph 5.1 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 5.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 5.5 The non-member Directors and employees of the Company and of the Group shall normally attend the meetings at the Committee's invitation, to assist in its deliberations and resolutions of matters raised. However, at least twice a year, the Committee should meet with the External Auditors without the presence of the executive board members and employees.

The Internal Auditors shall present and discuss the internal audit reports and other related matters.
- 5.6 In addition to the availability of detailed minutes of the Committee Meetings to the Board, the Chairman of the Committee at each Board Meeting, will report a summary of significant matters and resolutions.

- 5.7 A resolution in writing signed or approved via letter, telex, email or facsimile by all Committee members shall be effective for all purposes of a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

6. Rights

The Committee is authorised to:-

- 6.1 Investigate any matter within its terms of reference.
- 6.2 Have adequate resources required to perform its duties.
- 6.3 Have full and unrestricted access to information, records, documents, facilities and personnel of the Group necessary for the Committee to discharge its duties and responsibilities.
- 6.4 Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.
- 6.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.
- 6.6 Conduct or authorise a third party to conduct specific assessment into any activity or function within the Group so far as it relates to the duties of the Committee and is in accordance with its terms of reference, and make recommendations to the Board regarding appropriate action resulting from any such assessment.
- 6.7 Convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

7. Functions and duties - Audit

- 7.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 7.2 To formulate corporate governance and integrity policies, regulations and procedures and to monitor their compliance as well as to recommend and report to the Board where necessary.

- 7.3 To consider the nomination, appointment and re-appointment of External Auditors; their audit fees; and any questions on resignation, suitability and dismissal, including but not limited to the annual assessment of the External Auditors based on observations, professionalism, technical expertise, independence of the External Auditors and the firm's resources.
- 7.4 To review the following and report the same to the Board:-
- (a) With the External Auditors:
 - (i) the audit plan and audit report and the extent of assistance rendered by employees of the Company;
 - (ii) their evaluation of the system of internal controls;
 - (iii) the management letter and management's response;
 - (iv) issues and reservations arising from audits; and
 - (v) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's and the Group's operating results or financial position, and Management's response.
 - (b) With the Internal Audit Department:
 - (i) the adequacy and relevance of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
 - (ii) the audit plan of work programme, processes, the results of internal audit programme, processes or investigation undertaken and whether appropriate action is taken on the recommendation of the internal audit function, including recommendations and actions taken;
 - (iii) the extent of cooperation and assistance rendered by employees of the Company; and
 - (iv) the appraisal of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment and termination.
 - (c) The quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-

- (i) changes in and implementation of major accounting policies and practices;
 - (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;
 - (iii) going concern assumption;
 - (iv) major risks areas; and
 - (v) compliance with accounting standards, regulatory and other legal requirements.
- (d) The major findings of investigations and management response.
 - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

7.5 To report any breach of the Listing Requirements which has not been satisfactorily resolved, to Bursa Securities.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

8. Internal Audit Department

8.1 The Head of the Internal Audit Department shall have unrestricted access to the members of the Committee and shall report to the Committee, whose scope of responsibility includes overseeing the development and the establishment of the internal audit function.

8.2 In respect of routine administrative matters, the Head of Internal Audit Department shall report to the Chairman of the Committee or his designate.

9. Functions and duties - Risk

9.1 To oversee the management's activities in managing the Group's critical risks related to strategic, financial, operational, legal and other risks.

9.2 To advise the Board on matters related to risk management.

9.3 To assist the Board to fulfil its corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure of the Group.

- 9.4 To review and recommend risk management strategies, policies and risk appetite/tolerance for the Board's approval.
- 9.5 Reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively.
- 9.6 Ensuring infrastructure, resources and systems are in place for risk management.
- 9.7 Ensuring the staff responsible for implementing risk management systems perform those duties independently of the business units' risk-taking activities.

This Terms of Reference was revised and adopted by the Board on 28 June 2018.