



ECONPILE HOLDINGS BERHAD
(1017164-M)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. OBJECTIVE

The objective of the Audit and Risk Management Committee (“ARMC”) is to assist the Board of Directors (“the Board”) in fulfilling its statutory and fiduciary responsibilities towards maintaining adequate and effective risk management and internal control system.

2. MEMBERSHIP AND COMPOSITION

- (a) The ARMC shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members.
- (b) All members of the ARMC must be Non-Executive Directors, with a majority of them being Independent Directors. The appointment of an ARMC member terminates when he/she ceases to be a Director of the Company, or as determined by the Board.
- (c) All members of the ARMC should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.
- (d) At least one (1) member of the ARMC:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
 - he must have passed the examinations specified in Part I of the First 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 First Schedule of the Accountants Act 1967; or

- (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- (e) No alternate director shall be appointed as a member of the ARMC.
- (f) For engagement of a former key audit partner as member, there is a cooling-off period of at least two (2) years before appointed as member of the ARMC.
- (g) In the event of any vacancy in the ARMC (including Chairman) resulting in the non-compliance with paragraphs 15.09(1) and 15.10 of the Main Market Listing Requirements of Bursa Securities, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within three (3) months.
- (h) The term of office and performance of the ARMC and each of its members shall be reviewed by the Nomination Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with its terms of reference. To facilitate the review, the ARMC shall submit an Evaluation Form to the Nomination Committee for assessment.

3. CHAIRMANSHIP

The Chairman of the ARMC shall be an Independent Non-Executive Director appointed by the Board. The Chairman of the ARMC shall not be the Chairman of the Board.

The Chairman shall be responsible for ensuring that the entire Board is kept regularly informed about the ARMC’s work and, where necessary, must submit matters to the Board for decision.

4. MEETINGS AND ADMINISTRATIVE MATTERS

- (a) The ARMC shall meet at least four (4) times during a financial year. Additional meetings may be held as decided by the Chairman or upon the request of the External Auditors to consider any matters that the External Auditors believe should be brought to the attention of the Directors and/or shareholders.
- (b) The ARMC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables the ARMC members to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting.
- (c) The quorum for each ARMC meeting shall be at least two (2) members, the majority of whom must be Independent Directors. If at any meeting, the Chairman of the ARMC is not present within fifteen (15) minutes of the time appointed for holding the same,

the members of the ARMC present shall choose one of their number who shall be an Independent Director to chair that meeting.

- (d) Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
- (e) The ARMC may extend an invitation to the External Auditors, Internal Auditors, other board members, Management or employees to attend the ARMC meetings as it deems necessary.
- (f) The ARMC shall meet the External Auditors and Internal Auditors at least once a year without the presence of the Executive Directors and Management.
- (g) The Company Secretary or such substitute as appointed by the Board or the ARMC from time to time shall be the Secretary of the ARMC. The Secretary shall be entrusted to record all proceedings and minutes of all meetings of the ARMC.
- (h) The Chairman of the ARMC shall report to the Board on its proceedings after each meeting on matters within its duties and responsibilities. The ARMC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (i) In the event the ARMC require matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by all members of the ARMC, shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted. Any such resolution may be executed in any number of counterparts, each signed by one or more members of the ARMC all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.
- (j) The notice of the ARMC meetings and meeting materials shall be circulated at least five (5) business days before each meeting to members of the ARMC. Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the ARMC members either personally or by fax or e-mail, fax, or by post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the ARMC member, as the case may be.

- (k) The minutes of meetings must be reviewed by the Chairman of the ARMC before circulation to the rest of the members of the ARMC.
- (l) The Company shall cause minutes of all proceedings of the ARMC meetings to be entered in books kept for that purpose. Minutes of each meeting signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates. The books containing the minutes of proceedings of the ARMC meetings shall be kept by the Company at the Registered Office and shall be open for inspection by any member of the Board.

5. RIGHTS AND AUTHORITY

The ARMC shall, in accordance with the procedures determined by the Board and at the cost of the Company:

- (a) have the right 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 the Group;
- (d) have direct communication channels with the External Auditors, Internal Auditors or person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice;
- (f) be able to convene meetings with the External Auditors, Internal Auditors or the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Where the ARMC is of the view that a matter reported by it to the Board has not been satisfactory resolved resulting in a breach of the Listing Requirements of Bursa Securities, the ARMC is authorised to promptly report such matters to Bursa Securities.

6. DUTIES AND RESPONSIBILITIES

The ARMC shall undertake the following duties and responsibilities:

(a) Financial Reporting

To review the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on –

- changes in or implementation of major accounting policies and practices;

- significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
- going concern assumption;
- compliance with accounting standards and other legal requirements; and
- major areas.

(b) Internal controls

- (i) To monitor and review on the effectiveness of the Group's internal control system and the timeliness of, and reports on, the effectiveness of corrective or remedial actions taken by Management;
- (ii) To review and approve the statements to be included in the Annual Report concerning internal control and risk management.

(c) External audit

- (i) To review the annual audit plan presented by the External Auditors;
- (ii) To review the evaluation of the systems of internal control by the External Auditors;
- (iii) To review the External Auditors report and the findings of the audit with the External Auditors;
- (iv) To review any management letter issued by the External Auditors to the Company and Management's response to such letter;
- (v) To consider and make recommendations to the Board in relation to the nomination, appointment, re-appointment, resignation or removal of the External Auditors, including the review of any letter of resignation from the External Auditors and whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment;
- (vi) To establish policies and procedures to assess the suitability, objectivity and independence of External Auditors;
- (vii) To review the performance of the External Auditors on an annual basis;
- (viii) To establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with the External Auditors to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- (ix) To obtain written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements;
- (x) To review the assistance and co-operation given by the Company's officers and Management to the External Auditors.

(d) Internal audit

- (i) To decide on the appointment and removal of the Internal Auditors and review the budget for the internal audit function;
- (ii) To review 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. The ARMC should satisfy itself that-
 - the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him/her to discharge his/her functions effectively;
 - internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
 - the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively;
- (iii) 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;
- (iv) To assess the performance of the Internal Auditors;
- (v) To review any letter of resignation from Internal Auditors and provide the Internal Auditors an opportunity to submit reasons for resigning;
- (vi) To review the assistance and co-operation given by the Company's officers and Management to the Internal Auditors;

(e) Risk Management

- (i) To ensure that a risk management structure is embedded throughout the Group;
- (ii) To ensure that the risk management structure is consistently adopted throughout the Group; and
- (iii) To review the adequacy and effectiveness of risk management system currently in place.

(f) Related Party Transactions and Conflict of Interests

To review any related party transaction and conflict of interest situation that may arise within the Company or Group including transaction, procedure or course of conduct that raises questions of management integrity.

(g) Others

- (i) To report to Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities;
- (ii) To highlight significant matters and resolutions at each Board meeting; and
- (iii) To carry out any other functions that may be directed by the Board from time to time.

The ARMC shall review its Terms of Reference periodically and recommend to the Board, any changes it deems necessary.

This Terms of Reference of the ARMC is reviewed and approved by the Board on 29 August 2018.