

IOI CORPORATION BERHAD

Company No. 196901000607 (9027-W)

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

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TERMS OF REFERENCE

1 Membership

The Audit and Risk Management Committee (the “Committee”) shall be appointed by the Board of Directors (the “Board”) from amongst the Directors and shall consist of no fewer than three (3) members. All the Committee members must be Non-Executive Directors with a majority of them being Independent Non-Executive Directors.

All the Committee members should be financially literate with at least one (1) Director who is a member of the Malaysian Institute of Accountants or alternatively a person who must have the following qualifications:

- (a) either one (1) of the following qualifications and at least three (3) years’ post-qualification experience in accounting or finance:
 - (i) a degree/masters/doctorate in accounting or finance; or
 - (ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
- (b) at least seven (7) years’ experience being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

No Alternate Director shall be appointed as a member of the Committee and no former key audit partner of the Group’s external auditors shall be appointed as member of the Committee unless he or she has observed a cooling-off period of at least three (3) years.

The Chairman shall be an Independent Non-Executive Director who is not the Chairman of the Board.

In the event the number of members reduced to below three (3) or there is no Chairman in the Committee, the Board shall, within three (3) months of that event, appoint such number of new members or Chairman as may be required to fulfill the requirements.

The term of office and performance of the Committee and each of its members shall be reviewed by the Governance, Nominating and Remuneration Committee annually.

2 Objectives

The primary objectives of the Committee are to:

- i Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiaries' accounting and management controls, financial reporting, risk management and business ethics policies.
- ii Provide greater emphasis on the audit and risk management functions by serving as the focal point for communication between Non-Committee Directors, the external auditors, internal auditors, risk management manager and senior management and providing a forum for discussion that is independent of the management. It shall act as the Board's principal agent in assuring the independence of the Company's internal and external auditors, the integrity of the management and the adequacy of disclosures to shareholders.
- iii Undertake such additional duties as may be appropriate and necessary to assist the Board.

3 Authority

The Committee is authorised by the Board to:

- i Investigate any matter within its terms of reference and have full and unrestricted access to any information pertaining to the Company and the Group.
- ii Have direct communication channels with both the external auditors and internal auditors and the risk management manager.
- iii Full access to any employee or member of the management.
- iv Be able to convene meetings with the external auditors, the internal auditors or both, and the risk management manager, without the attendance of other Directors and employees, whenever deemed necessary.

The Committee is also authorised by the Board to have the necessary resources and to obtain external legal or other independent professional advice which it considers necessary and reasonable for the performance of its duties.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Committee shall promptly report such matter to Bursa Securities.

4 Duties and Responsibilities

In fulfilling its primary objectives, the Committee will need to undertake the duties and responsibilities summarised below:

- i To review with management on a periodic basis, the Company's general policies, frameworks, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.
- ii To consider the appointment of the external auditors based on factors including but not limited to suitability, resources, competency and independence of the external auditors, their audit fee and any questions of their resignation or dismissal.
- iii To review with the external auditors their audit plan, scope and nature of the audit for the Company and the Group.
- iv To review the external auditors' management letter and management's response.
- v To review with the external auditors with regard to problems and reservations arising from their interim and final audits.
- vi To review with the external auditors the audit report and their evaluation of the system of internal controls.
- vii To review the non-audit services performed by the external auditors taking into consideration the types of services rendered and their fees in accordance with the *Policies and Procedures for the Assessment of Suitability and Independence of External Auditor* and to ensure that the independence of the external auditors is not compromised.
- viii To do the following, in relation to the internal audit function:
 - approve the internal audit charter and annual risk based internal audit plan, budget and resources plan.
 - review the internal audit programme, processes and 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.
 - review any appraisal or assessment of the performance of the internal audit function.
 - approve any appointment or termination of the Head of the Internal Audit.
- ix To review the Company and the Group's quarterly financial statements and annual financial statements before submission to the Board.

The review shall focus on:

- any 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.
- significant adjustments and issues arising from the audit.
- the going concern assumption.
- compliance with the applicable approved accounting standards and other regulatory requirements.

x To do the following, in relation to the risk management function:

- approve the charter of Divisional Risk Management Committee.
- approve the risk review plan, budget and resources plan.
- to ensure the risk management framework adopted by the Group is based on an internationally recognised risk management standard.
- to recommend for the Board's approval the key risk indicators, risk appetite statement and any proposed changes thereto.
- to evaluate the effectiveness of the Corporate Risk Management structure and support system to identify, assess, monitor and manage the Group's key risks and to ensure it is continuously improved as the business environment changes.

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

xii To review the adequacy of processes that the Company has in place for evaluating, approving, tracking and reporting of related party transactions.

xiii To review the adequacy and effectiveness of the Group's internal control system including the controls over financial reporting to ensure that the same are effectively administered, and regularly monitored.

xvii To oversee the implementation of whistleblowing policy and procedures of the Group.

xviii To undertake such other responsibilities as may be agreed to by the Committee and the Board.

- xix To consider the report, major findings and management's response of any internal investigations carried out by the internal auditors.
- xx To review the Committee Report and Statement on Risk Management and Internal Control for publication in the Company's Annual Report.
- xix To verify the allocation of options pursuant to the Company's Share Issuance Scheme (if any) in compliance with the criteria of the scheme at the end of each financial year.

5 Conduct of Meetings

Number of Meetings

The Committee shall meet at least five (5) times in a financial year. The Chairman shall also 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.

Attendance of Meetings

The Chief Financial Officer, Head of Internal Audit, senior management, risk management manager and representatives of the external auditors shall normally be invited to attend meetings of the Committee. However, the Committee shall meet with the external auditors without the present of executive board members and management at least twice a year and whenever necessary. The Committee may also invite other Directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

Quorum

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2). In the absence of the Chairman, the members present shall elect one amongst themselves to be the Chairman of the meeting.

6 Secretary to the Committee and Minutes

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Board.

7 Review of the Terms of Reference

The adequacy of this Terms of Reference shall be reviewed on a periodic basis or as and when necessary. Any proposed changes to the Terms of Reference shall be approved by the Board.

Reviewed and revised on 23 February 2021