

**NETX HOLDINGS BERHAD**  
**Company Registration No. 200001030834 (533441-W)**  
**(Incorporated in Malaysia)**

**AUDIT & RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE**

**MEMBERSHIP**

1. Members of the Committee shall be appointed by the Board of Directors from amongst themselves which fulfils the following requirements:
  - (1) the Committee must be composed of no fewer than three (3) members;
  - (2) all the Committee members must be non-executive directors, with a majority of them being independent directors;
  - (3) at least one (1) member of the Committee:
    - i) 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:
      - a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - b) 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
    - iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
2. No alternate director shall be appointed as a member of the Committee.
3. The members of the Committee shall elect a chairman from among their number who shall be an independent director.
4. If a member of the Committee resigns, dies or for any reason ceases to be a member which results in the number being reduced below three (3), the vacancy must be filled within three (3) months.

## **RIGHTS**

The Committee shall in accordance with the procedure determined by the Board of Directors and at the cost of the Company:-

- (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 Company;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (f) be able to obtain independent/external professional or other advice; and
- (g) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## **FUNCTIONS**

The functions of the Committee are as follows:-

- (1) To review the following and report the same to the Board of Directors:-
  - (a) with the external auditor:
    - (i) the audit plan;
    - (ii) evaluation of the system of internal controls;
    - (iii) the audit report;
  - (b) the assistance given by the employees of the Company to the external auditor;
  - (c) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out their works;
  - (d) 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;
  - (e) the quarterly financial report and year end financial statements, prior to 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;
  - (iii) Significant judgements made by management;
  - (iv) Significant and unusual events or transactions and how these matters are addressed;
  - (v) the going concern assumption; and
  - (vi) compliance with accounting standards and other legal requirements
- (f) any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) any letter of resignation from the external auditors, if any;
- (h) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and
- (i) in relation to the risk management:-
- (i) provide an objective view on the effectiveness of the risk management framework, review and monitor risk reporting;
  - (ii) act as an advisor, educator and change catalyst in risk and control areas in the organisation;
  - (iii) provide an independent view on specific risk and control issues, trends and events;
  - (iv) evaluate how the management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks;
  - (v) ensure an appropriate system is established to identify and report on areas of potential business risk timely for remedial actions to be taken;
  - (vi) recommend to the Board its findings and propose course of actions to be taken to ensure controls are put in place to address these risks. Senior management of the Group is responsible for the actions to be taken;
  - (vii) seek regular assurance from management to ensure alignment of risk management strategies and culture with the Group's business objectives;
  - (viii) seek regular assurance from management to ensure that appropriate risk reporting structure is established to facilitate reporting of risks to management and the Board; and
  - (ix) seek regular assurance from management to ensure that a comprehensive risk management approach is in place to identify risks, communicate risk inter-relationships and manage risk profiles across the organisation.

- (j) the policies and procedures for assessment of sustainability and independence of external auditors;
  - (k) the policies and procedures governing the provision of non-audit services by external auditors.
- (2) To recommend the nomination of external auditors and their audit fees.
  - (3) To carry out any other function that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and ensure the effectiveness discharge of the Committee's duties and responsibilities.
  - (4) To report to the Board of Directors with such recommendations as the Committee deemed appropriate.
  - (5) To report to the Bursa Malaysia Securities Berhad ("Bursa Securities") on any matter reported by it to the Board of Directors of the Company which has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities.

### **MEETINGS**

1. The Committee shall meet at least four (4) times in a year or a frequency to be decided by the Committee.
2. A minimum of two (2) independent members present shall form the quorum. The quorum of the meeting is by the presence of a majority of independent members.
3. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.
4. The external auditors and internal 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 by the Committee.
5. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
6. The Company must ensure that other directors and employees attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

### **PROCEDURE OF COMMITTEE**

The Committee may regulate its own procedures, in particular:-

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

### **SECRETARY**

The Company Secretary or other appropriate senior official shall be the Secretary to the Committee.