



PERMAJU INDUSTRIES BERHAD

Audit and Risk Management Committee Charter
(Adopted on 21 October 2019)

1. INTRODUCTION

The Board of Directors (“Board”) of Permaju Industries Berhad (“Permaju” or “the Company”) recognises Corporate Governance as important principles and practices to be upheld, and it will continuously strive to ensure that good Corporate Governance is implemented and carried out throughout the Group, with the ultimate objective to adopt good governance practices as an integral part of our business dealings and organisation culture. The Board has primary responsibilities to the shareholders for the welfare of Permaju by guiding and monitoring the business and affairs of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance to the Malaysian Code on Corporate Governance (“MCCG”) 2017 and applicable laws.

Enterprise Risk Management is defined as a process, affected by an entity’s Board of Directors, Management and other personnel, applied in a strategic setting and across the enterprise. It is designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

2. PURPOSE

The Board of Directors (the Board”) via the Audit and Risk Management Committee (“ARMC”) is the oversight body to provide an independent assessment of the internal control system and the risk management framework.

In addition, to comply with the MCCG2017 and Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”), the listed entity is to establish a risk management framework which is to be disclosed in the Annual Report and company’s official website.

3. MEMBERSHIP

3.1 The ARMC shall be appointed by the Board from amongst their members which fulfils the following requirements:-

- (a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
- (b) all members of the ARMC shall be non-executive directors and should be financially literate; and
- (c) at least one member of the Committee:
 - (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 3 years’ working experience and:
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) 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.
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

- 3.2 The members of the ARMC shall elect a Chairman from among themselves who shall be an independent director.
- 3.3 No alternate director should be appointed as a member of the ARMC.
- 3.4 In the event of any vacancy in the ARMC resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to the composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.
- 3.5 The term of office and performance of the Committee and each of its members must be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference

4. AUTHORITY

- 4.1 The ARMC is authorised by the Board:-
 - (i) to investigate any activity within its terms of reference;
 - (ii) to seek any information it requires from any employee and all employees are directed to cooperate with any request made;
 - (iii) to have direct communication with and access to the external auditors and person(s) carrying out the internal audit function or activity;
 - (iv) to obtain external legal or other independent professional advice and secure attendance of outsiders with relevant experience and expertise – if it considers this necessary; and
 - (v) 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.
- 4.2 The ARMC does not have any executive powers. It shall report to the Board of Directors on the matters that it has considered and its recommendations and comments thereon.

5. SCOPE AND FUNCTIONS

- 5.1 The scope and functions of the ARMC shall be:-
 - (a) in respect of the appointment of external auditors:
 - (i) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
 - (ii) to consider the nomination of a person or persons as external auditors and to determine the audit fee;
 - (iii) to consider any questions of resignation or dismissal of external auditors.

- (b)
 - (i) to discuss with the external auditor before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
 - (ii) to discuss problems and reservations arising from the audit with the auditors, without management presence – if necessary;
 - (iii) to review the external auditors' management letter and management's response.
- (c) to review the quarterly and year end financial statements and focus on:
 - (i) any changes in or implementation of major accounting policies and practices;
 - (ii) significant audit adjustments;
 - (iii) going concern assumptions; and
 - (iv) compliance with accounting standards and other legal requirements.
- (d) to report to the Board of Directors all pertinent issues which are necessary to be reported;
- (e) to perform the following duties in relation to the internal audit function:
 - (i) review the adequacy of the scope, function, competency, resources and authority necessary to carry out the work and that it reports directly to the Audit Committee;
 - (ii) review the internal audit programme, processes and results and ensure that appropriate action is taken on the recommendations;
 - (iii) review and appraise the performance of members of the internal audit function;
 - (iv) approve the appointment and termination of senior internal audit personnel;
 - (v) review the resignations of internal audit personnel and give them the opportunity to submit reasons for their resignations; and
 - (vi) review the follow-up actions by management on the weaknesses of internal accounting procedures and controls as highlighted by the internal auditors.
- (f) to perform the following duties in relation to risk management framework:
 - (i) to determine the risk appetite of the company and the risk assessment framework to adopt;
 - (ii) review the risk management report, processes and results and ensure that appropriate action is taken on the recommendations;
 - (iii) review and appraise the performance of members of the working group;
 - (iv) review and appraise the performance of members of the Risk Management Working Group ("RMWG"); and
 - (v) review the follow-up actions by management to mitigate the issues.

- (g) to review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company or Group;
- (h) consider major findings of internal investigations and management's response; and
- (i) to perform any other work as may be directed by the Board from time to time.

5.2 Role of Chairman

The Chairman will act as facilitator at meetings of the ARMC and ensure that no Committee member, whether executive or independent non-executive, dominates the discussion, and that appreciates discussion takes place and that relevant opinion among ARMC members are forthcoming.

The key roles and accountabilities of the Chairman include:

- (a) Managing ARMC communications and its effectiveness.
- (b) Creating conditions for good deliberation and decision making.
- (c) Ensuring Company's policies and procedures are in compliance with good conduct and best practices.
- (d) Maintaining good contact and effective relationships with external parties, investing public, regulatory agencies and trade associates.
- (e) Ensuring that quality information to facilitate decision-making is delivered to the Board on timely manner.
- (f) Focal point of communications with external parties (in particular External Auditors, Investors, bankers and shareholders).

The Chairman shall also coordinate with the Internal Auditor to assist the ARMC in its review of the Company's system of internal control.

5.3 Role of Committee

The function of ARMC in which their authority and responsibilities have been incorporated shall be as follows:

- (a) To review and discuss with RMWG the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management.
- (b) To review and discuss with Board and the Management of the Company's risk appetite.
- (c) To discuss with the Company's Chairman of the RMWG of the Company's risk assessment and risk management guidelines, policies and processes, as the case may be. The Committee shall have a private meeting (excluding the Executive Director) at least twice a year with the Company's Chairman of the RMWG.
- (d) To receive, as and when appropriate, reports from the Company's Internal Auditors' internal audit function on the results of risk management reviews and assessments.

- (e) To receive, deliberate and accept, as and when appropriate, reports from the Company's ARMC their risk management report.
- (f) To approve the appointment and, when and if appropriate, replacement of the Company's Chairman of the RMWG, whom shall have a reporting relationship with the Committee.
- (g) To review the disclosure regarding the risk management and internal control statement.
- (h) To review reports on selected risk topics as the committee deems appropriate from time to time.
- (i) To be given unrestricted access to the Group's Management and the accurate and complete information pertaining to the Company and/ or the Group including from the Company and / or the Group's auditors and consultants.
- (j) To discharge any other duties or responsibilities delegated to the Committee by the Board.
- (k) The Committee shall have the authority to delegate any of its responsibilities to Sub-Committees as the Committee may deem appropriate. The Committee shall have authority to retain such outside legal counsel. Experts and other advisors as the committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.
- (l) The Committee shall report its actions and any recommendations to the Board and shall conduct and present to the Board an annual performance evaluation of the Committee. The Committee shall review at least annually the adequacy of this Charter and Framework and recommend any proposed changes to the Board for approval.
- (m) Attend all necessary and required trainings (internal and external courses) at the expense of the Company in order to equip and update themselves on the latest pronouncement and regulations concerning risk management and internal audit.

5.4 New Committee members

A new ARMC member shall be briefed on the terms of their appointment, their duties and obligations and on the operations of the Group. Copies of the following shall be provided to the newly appointed Committee:

- (a) Board Charter;
- (b) Audit and Risk Management Charter;
- (c) Memorandum and Articles of Associates;
- (d) Committees' composition and terms of reference;
- (e) Latest business plans;
- (f) Latest annual reports and financial statements;
- (g) Organisation chart;
- (h) Site visitation.

6. MEETING, MINUTES AND REPORTING

- 6.1 Meeting shall be held not less than four (4) times a year. The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally be invited to attend the meeting. Other members of the Board may attend the meeting upon the invitation of the Committee. To form a quorum the majority of members present must be independent directors.
- 6.2 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.
- 6.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.
- 6.4 The secretary shall keep minutes of each meeting which shall be distributed to each member of the Committee. The Chairman of the Committee shall report to the Board on each meeting.
- 6.5 The Committee shall regulate its own procedure, 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