

IRE-TEX CORPORATION BERHAD
(Company No. 576121-A)

**TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT
COMMITTEE** (Revised as at 23 March 2018)

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1. OBJECTIVES

The Audit Committee was renamed as Audit and Risk Management Committee ("the Committee") on 23 March 2018 and was established to act as a Committee of the Board of Directors ("the Board") with the primary objective of providing an additional assurance to the Board by giving an objective and independent review of financial, operational and administrative controls and procedures, establishing and maintaining internal controls and reinforce the independence of the Company's external auditors, thereby ensuring that the auditors have free reign in the audit process as well as to overseeing the risk management matters relating to the Company and its subsidiaries in order to assist the Board to govern and minimise the overall risk exposure of the Group.

2. COMPOSITION OF MEMBERS

- (i) The members of the Committee shall be appointed by the Board from among its members and shall comprise not less than three (3) members, whereby all members must be Non-Executive Directors, financially literate, solely Independent Directors, and at least one (1) member of the Committee:-
- (a) must be a member of the Malaysian Institute of Accountants;
or
 - (b) 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 1st 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 1st Schedule of the Accountants Act 1967;
 - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- (ii) Alternate Director shall not be appointed as a member of the Committee.
- (iii) A former key audit partner shall observe a cooling-off period of at least two years before being appointed as a member of the Committee.

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- (iv) The Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director and shall be approved by the Board.
- (iv) In the event, the elected Chairman is not able to attend a meeting, the remaining members present shall elect one of themselves as Chairman for the meeting. The elected Chairman shall be an Independent Director.
- (v) The Chairman of the Audit and Risk Management Committee is not the Chairman of the Board.
- (vi) If a member of the Audit Committee resigns, retires, dies or for any other reason ceases to be a member resulting in the non-compliance with item 2 (i) and (iii) above, the Board shall fill the vacancy within three (3) months.
- (vii) The Nomination Committee shall review the term of office and performance of the Committee and each member annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

3. MEETINGS OF THE COMMITTEE

(i) Mode of Meetings

- (a) The Committee may meet together for dispatch of business, adjourn and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a Committee to be in the physical presence in the meeting form a quorum. All effective as a resolution passed at a meeting in person of the members duly convened and held.
- (b) In the event issues requiring the Committee's decision arise between meetings, such issues shall be resolved through circular resolution. Such circular resolution in writing shall be valid and effectual if it is signed or approved by letter, facsimile or any electronic means by a majority of the members of the Committee as if it had been passed at a meeting of the Committee duly called and constituted.
- (c) Other Directors, senior management, internal auditors,

external auditors and employees may attend any particular Committee meeting only at the Committee's invitation, specific to the relevant matters discussed at the meeting. The Committee shall regulate its own procedure of meetings.

(ii) Frequency of Meetings

The Committee shall hold at least four (4) meetings per year. Additional meeting may be called at anytime upon the request of the Chairman of the Committee, member of the Committee and external auditor for deliberation matters under the scope of the Committee.

(iii) Quorum

The minimum quorum for the meeting is two (2) members of the Committee with a majority of members present to be Independent and Non-Executive Directors.

(iv) Notice of Meetings

Prior notice shall be given for all meetings.

(v) Minutes of Committee Meetings

Every meeting of the Committee must be minuted either by the Company Secretary or any other person approved by the Committee and such minutes must be signed by the Chairman of the meeting of the said Committee or the Chairman of the preceding Committee meeting as evidence that the meeting was duly convened and held.

4. SECRETARY TO THE COMMITTEE

The Company Secretary shall be the secretary of the Committee.

The Company Secretary shall be responsible for preparation of agenda in consultation with the Chairman, and distribution to all the members the papers to be deliberated at the meeting.

5. FUNCTIONS

The functions of the Committee are as follows:-

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- (i) To review the following and report the same to the Board of the Company:-
 - (a) with the External Auditor, the audit plan;
 - (b) with the External Auditor, his evaluation of the system of internal controls;
 - (c) with the External Auditor, his audit report;
 - (d) the assistance given by the employees of the Company to the External Auditor;
 - (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) 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;
 - (g) the quarterly results and year-end financial statements, before the approval by the board of directors, focusing particularly on changes in or implementation of major accounting policy changes, significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed, and compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the Company;
 - (j) whether there is reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment; and
- (ii) To recommend the nomination of a person or persons as External Auditors;

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- (iii) To receive and review reports of internal auditor,
- (iv) To assess the functions and assignments of internal auditor and reviewing the measures recommended for improvement to be carried out by the management of the Company and report the same to the Board accordingly;
- (v) To oversee and review the internal control system and risks management that covers not only financial but operational, risk and compliance control;
- (vi) The functions of Committee on overseeing the risk management shall include the following:
 - (a) overseeing, identifying and evaluating including and not limited to enterprise and fraud risk management of the Group;
 - (b) managing, monitoring and find solution to mitigate the significant risks;
 - (c) review, deliberate and recommend framework, policies and solution for the risk finding in managing the risk to mitigate the significant risks faced by the Group; and
 - (d) monitoring the compliance with the rules, regulation and guidelines.
- (vii) To carry out such other functions or assignments as may be delegated by the Board from time to time.

9. RIGHTS OF THE AUDIT COMMITTEE

The Committee is authorised by the Board to have the resources whichever required to perform its duties within its term of reference at the cost of the Company. The Committee should have the following rights:-

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to any information pertaining to

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the listed issuer;

- (iv) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (v) be able to obtain independent professional or other advice; and
- (vi) 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.

10. REFERENCE

This Terms of Reference was first adopted on 26 April 2004, revised on 3 May 2016 and further revised on 23 March 2018.