

MALAYAN CEMENT BERHAD
[Company No. 195001000048 (1877-T)]

TERMS OF REFERENCE

AUDIT & RISK MANAGEMENT COMMITTEE (“ARMC”)

1. Primary Purposes

The ARMC is responsible to assist the Board of Directors of the Company (“**Board**”) in-

- 1.1 fulfilling its oversight responsibilities for the financial reporting process, system of internal control and audit process;
- 1.2 establishing policies and procedures to assess the suitability, objectivity and independence of the external auditors and ensuring that these remain effective and consistent with relevant rules, laws;
- 1.3 ensuring the adequacy of controls in the processes and procedures undertaken in accordance with applicable laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- 1.4 reviewing the effectiveness of the policies and procedures for whistle-blowing and anti-corruption;
- 1.5 overseeing risk management matters relating to the activities of the Company and its subsidiaries (“**Group**”).

2. Composition

- 2.1 The ARMC shall be appointed by the Board and comprise no fewer than three (3) Board members, all of whom must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors.
- 2.2 All members of the Audit Committee should be financially literate. At least one member of the Audit 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 3 years’ working experience and -
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) 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
 - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**”)

- 2.3 No alternate Director shall be appointed as a member of the ARMC.
- 2.4 The members of the ARMC must elect a Chairman among themselves who is an Independent Director. The Chairman of the ARMC shall not be the Chairman of the Board.
- 2.5 In the event of any vacancy in the ARMC resulting in number of members being reduced to below the minimum number prescribed in the Listing Requirements and/or these terms, the Board shall fill the vacancy within three (3) months.

3. **Authority**

In carrying out its duties and responsibilities, the ARMC shall -

- 3.1 have authority to investigate any matter within its terms of reference;
- 3.2 have the resources which are required to perform its duties;
- 3.3 have full and unrestricted access to any information pertaining to the Company and the Group;
- 3.4 have authority to review and approve the appointment, renewal of appointment, replacement or removal of the Head of Internal Audit who reports directly to the ARMC;
- 3.5 have direct communication channels with the external auditors and internal auditors, and authority to engage with senior management in order to be kept informed of matters affecting the Company and the Group;
- 3.6 be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- 3.7 be able to convene meetings with the person(s) carrying out the internal audit function or activity without the presence of other Directors and employees of the Company, whenever deemed necessary; and
- 3.8 meet with the external auditors at least twice a year without the presence of the other Directors and employees of the Company.

4. **Functions, Duties and Responsibilities**

The ARMC shall, amongst others, discharge the following functions:

4.1 **Financial Reporting**

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

- changes in or implementation of major accounting policies 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;

- the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Company and the Group;
- compliance with applicable approved accounting standards, other regulatory and legal requirements; and
- the appropriateness of the going concern assumption.

4.2 **External Audit**

- Review the audit plan, scope of audit and audit report with the external auditors;
- Review with the external auditors their evaluation of the system of internal controls during the course of their audit, including any significant suggestions for improvements and management's response;
- Review the assistance given by the employees of the Company to the external auditors;
- Recommend the nomination of a person or persons as external auditors and the audit fee;
- Review any letter of resignation from the external auditors of the Company;
- Review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- Review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors

4.3 **Internal Audit**

- Review the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority and resources to carry out its work;
- 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;
- Review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the internal auditors.

4.4 **Related Party Transactions**

Review any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts.

4.5 **Share Issuance Scheme (as defined in the Listing Requirements)**

Verify the allocation of options pursuant a Shares Issuance Scheme for employees of the Group at the end of each financial year as being in compliance with the criteria for allocation of options disclosed to the employees.

4.6 **Risk Management matters**

- (a) Review the adequacy and integrity of the risk management framework in place for identifying, managing and monitoring significant risks across the Group and ensure that the execution of that process is continuously improved as the business environment changes;
- (b) Assess any changes since the last assessment in the nature and extent of significant risks, and the ability of the Company and the Group to respond to changes in its business and the external environment. In this regard, the ARMC may engage the Executive Directors/senior management in ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise;
- (c) Review and keep updated of any new or emerging trends of risks/threats, including cyber security, corruption, business continuity, enterprise sustainability and climate-related risks, so as to ensure that management continues to promote risk awareness at all levels within the Group;
- (d) Seek regular assurance on the continuity and effectiveness of the risk management processes and internal control systems implemented to counter threats and/or mitigate risks through appraisals by internal audit and/or other assurance providers.

4.7 **Other Matters**

- (a) Carry out any other function that may be mutually agreed upon by the ARMC and the Board which would be beneficial to the Company/Group and ensure the effective discharge of the ARMC's duties and responsibilities;
- (b) Submit to the Board its recommendation on matters within its purview for the Board's decision. When the ARMC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMC must promptly report such matter to Bursa Securities.

5. **Meetings**

- 5.1 To form a quorum in respect of a meeting of the ARMC, the majority of members present must be Independent Directors. The meeting of the ARMC shall be governed by the provisions of the Company's Constitution relating to Board meetings unless otherwise provided for in these terms of reference.
- 5.2 The ARMC shall meet at least five (5) times a year or more frequently as it deems necessary to fulfil its responsibilities. All meetings to review the quarterly financial results and year-end financial statements, shall be held prior to such financial results/statements being presented to the Board for approval.
- 5.3 Upon the request of any member of the ARMC, the external auditors or the internal auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter which should be brought to the attention of the Directors or shareholders.

- 5.4 The Managing Director or any Executive Director, Head of Internal Audit, external auditor or any other members of the management team and external experts may be invited to attend the ARMC meetings when the agenda calls for their insights.
- 5.5 The external auditors have the right to appear and be heard at any meeting of the ARMC and shall appear before the ARMC when required to do so by the ARMC.
- 5.6 Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated at its meeting. The decision that gained the majority votes shall be the decision of the ARMC. In the event of an equality of votes, the chairman of the ARMC shall be entitled to a second or casting vote.
- 5.7 The ARMC may deal with matters by way of resolutions in writing. A resolution in writing signed by a majority of the members of the ARMC for the time being 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 consist of several documents in like form, each signed by one (1) or more ARMC members. The expressions “in writing” or “signed” include approval by legible confirmed transmission by facsimile or other forms of electronic communications.
- 5.8 The ARMC may establish any regulations from time to time to govern its administration.

6. **Minutes**

- 6.1 The Secretary shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the ARMC. Such minutes shall be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 6.2 Minutes of each meeting shall be distributed to the members of the ARMC and made available to all Board members.

7. **Secretary**

The Secretary to the ARMC shall be the Company Secretary.