TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

SL INNOVATION CAPITAL BERHAD

[Registration No. 201101044035 (972155-K)]
(Incorporated in Malaysia)

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. OBJECTIVE

The primary objective of the Audit and Risk Management Committee ("ARMC") is to establish a documented, formal and transparent procedure to assists the Board of Directors ("Board") of SL Innovation Capital Berhad ("Company") in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

2. COMPOSITION

The members of ARMC shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be Independent Directors. The Board shall at all the times ensure that at least one (1) member of the ARMC:

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) passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

  b) must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The ARMC shall elect a Chairman from among its members.

The Chairman of the Board shall not be a member of the ARMC.

No alternate director shall be appointed as a member of the ARMC. A former partner of the external audit firm of the Company shall observe a cooling off period of at least three (3) years before being appointed as a member of the ARMC. The former partner herein refers to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting, etc.)

The term of office and performance of the ARMC and each of its members shall be reviewed by the Nomination Committee annually to determine whether the members have carried out their duties in accordance with their terms of reference.

If any member of the ARMC resigns, dies or for any other reason ceases to be a member or Chairman with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new member(s) or Chairman as may be required to make up the minimum number of three (3) members.

3. CHAIRMAN

The Chairman of the ARMC shall be an Independent Non-Executive Director appointed by the Board from amongst the ARMC members and who shall not be the Chairman of the Board. The ARMC Chairman shall chair all ARMC meetings but in the absence of the Chairman, the members of the ARMC can elect from amongst themselves as the Chairman of the meeting.

The Chairman of the ARMC is responsible for ensuring the overall effectiveness and independence of the ARMC.

The Chairman of the ARMC together with other members of the ARMC should ensure amongst others that:-

(i) the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and address these matters;
(ii) the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
(iii) the ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditors; and
(iv) there is co-ordination between internal and external auditors.

4. AUTHORITY

(i) The ARMC is authorised by the Board to investigate any matter within the ARMC's terms of reference. It shall have full and unrestricted access to any information pertaining to the Company and its subsidiaries ("Group") and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the ARMC.

(ii) The ARMC is authorised by the Board to obtain external legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

(iii) The ARMC shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

(iv) The ARMC shall 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, in order to enable the ARMC and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the ARMC.

(v) The internal auditors report directly to the ARMC and shall have direct access to the Chairman of the ARMC on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the ARMC. The ARMC is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

5. DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, the ARMC shall undertake, amongst others, the following duties and responsibilities:

(a) Financial Reporting

To review the quarterly and annual financial statements of the Group prepared by the management, where necessary, together with the external auditor, focusing particularly on:

i) Any significant changes to accounting policies and practices;

ii) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;

iii) Significant adjustments arising from the audit;

iv) Compliance with accounting standards and other legal requirements; and

v) Going concern assumption.

(b) Risk Management and Internal Control

i) To consider the effectiveness of the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to mitigate losses and maximise opportunities;

ii) To assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;

iii) To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;

iv) To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures;

v) To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;

vi) To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the ARMC itself; and

vii) To report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

(c) Internal Audit Function

i) To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;

ii) To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;

iii) To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;

iv) To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations;

v) To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;

vi) To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party; and

vii) To request and review any special audit which the ARMC deems necessary.

(d) External Audit

i) To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors;

ii) To review the annual performance assessment, including the suitability and independence of the external auditors and make recommendations to the Board, the appointment or re-appointment of the external auditors;

iii) In assessing or determining the suitability and independence of the external auditors, the ARMC shall take into consideration of the following:

- the adequacy of the experience and resources of the external auditors;
- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

iv) To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;

v) To review the external auditor's audit report, and management letter and management's response to the management letter;

vi) To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised;

vii) To review the external auditors' findings arising from audits, particularly any comments and responses in audit recommendations as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken; and

viii) To review with the external auditors for the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report.

(e) Related Party Transactions/Conflict of Interest Situations

i) To review any related party transactions and conflict of interest situations that arose, persist or may arise within the 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; and

ii) To ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

(f) ARMC Reports

To prepare the annual ARMC report to the Board for inclusion in the Annual Report and to review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

(g) Sustainability Reports

i) Overseeing the management of principal business risks and significant/material economics, environmental and social risks and opportunities;

ii) Ensuring resources and processes are in place to enable the organization to achieve its sustainability commitments and targets; and

iii) Reviewing disclosures statements relating to management of suitability matters of the Group in the Annual Reports.

(h) Other Matters

i) To verify the allocation of options pursuant to the Share Issuance Scheme or the allocation of shares pursuant to any incentive plan for employees of the Group at the end of each financial year as being in compliance with the criteria which is disclosed to the employees and make a statement in the Annual Report that such allocation has been verified;

ii) To exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblowing Policy of the Group; and

iii) To carry out any other function that may be mutually agreed upon by the ARMC and the Board.

6. MEETINGS OF THE ARMC

The ARMC shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the ARMC Chairman's discretion. Other than in circumstances which the Chairman of the ARMC considers inappropriate, the Executive Directors, Group Accountants, the representatives of the internal auditors and external auditors will attend any meeting of the ARMC to make known their views on any matter under consideration by the ARMC or which in their opinion, should be brought to the attention of the ARMC. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the ARMC. Where necessary, the ARMC shall meet with the external auditors without the presence of any Executive Directors and members of the management.

Subject to the notice and quorum requirements as provided in the Terms of Reference, meeting of the ARMC may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

7. QUORUM

The quorum for a meeting of the ARMC shall consist of two (2) members.

8. NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the ARMC, any other person required to attend and all other non-executive directors, no later than seven (7) days before the date of the meeting. Supporting papers shall be sent to ARMC members and to other attendees as appropriate, at the same time.

9. SECRETARY AND MINUTES

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the ARMC. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the ARMC and ensure that the minutes are properly kept and produced for inspection if required. The ARMC shall report to the Board and the minutes of each meeting shall be tabled to the Board for notation.

10. CIRCULAR RESOLUTION

A resolution in writing, signed or approved by letter, telegram, telex, telefax or electronic means by a majority of the ARMC members present in Malaysia for the time being entitled to receive notice of a meeting of the ARMC, shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the members of the ARMC.

11. REVISION AND UPDATES

Where necessary, this Terms of Reference will be reviewed and updated to ensure it remains consistent with the ARMC's objectives and responsibilities.

END.

-Adopted on 31 July 2024