



# **NWP HOLDINGS BERHAD**

*(Company No. 495476-M)*

## **AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE**

(Adopted by the Board  
on 29 October 2019)

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*(Company No. 495476-M)*

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

### **TERMS OF REFERENCE**

In line with the recommendation of Malaysia Code on Corporate Governance, the Audit Committee was renamed to Audit and Risk Management Committee (“ARMC”) on 31 July 2019.

#### **1. OBJECTIVE**

- 1.1. To assist the Board in discharging its statutory duties and responsibilities by ensuring:
  - 1.1.1. Accurate and timely financial reporting and compliance with applicable financial reporting standards;
  - 1.1.2. Adequate internal control in the systems and procedures which enable the Group to operate effectively and efficiently;
  - 1.1.3. That an effective risk management framework is in place to manage risks impacting the Group;
  - 1.1.4. That audits are performed by internal auditors (“IA”) and external auditors (“EA”) objectively and independently; and
  - 1.1.5. The Group complies with applicable laws, rules and regulations and has in place an appropriate code of business conduct.

#### **2. MEMBERSHIP**

- 2.1. Composition
  - 2.1.1. The ARMC shall be appointed by the Board amongst its directors based on the recommendation of the Nominating Committee (“NC”) and shall comprise at least three (3) members of whom a majority shall be independent directors.
  - 2.1.2. If for any reason the number of members at any point in time is reduced to below three, the Board shall fill the vacancy within three months.
  - 2.1.3. The Chairman of the ARMC shall be an independent director appointed by the Board based on recommendation of the NC. The Chairman of the ARMC is not the Chairman of the Board.
  - 2.1.4. No alternative Director shall be appointed as a member of the ARMC
- 2.2. Qualification
  - 2.2.1. All members of ARMC must be Non-Executive Directors and financially literate, majority of whom shall be independent directors. At least one member of the ARMC shall:
    - i) Be a member of the Malaysian Institute of Accountants (MIA); or
    - ii) If he/she is not a member of MIA, he must have at least 3 years’ working experience and:
      - He/she must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
      - He/she must be a member of one of the Association 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 (“Bursa Securities”).

- iv) In compliance with the Malaysian Code on Corporate Governance, a former key audit partner of the Company shall observe a cooling-off period of at least two years before being appointed as a member of the Committee.

### 2.3. Term of Office

- 2.3.1. The term of office and performance of the ARMC and each of its members shall be reviewed annually by the Board; to assess whether the ARMC and its members have carried out their duties in accordance with their terms of reference.
- 2.3.2. A formal evaluation of the performance of all ARMC members should be undertaken by the NC.

## 3. Authority

### 3.1. The ARMC in performing its duties shall:

- 3.1.1. Have the authority to investigate any matter referred to it or that it has come across in respect of any transaction that raises questions of integrity, possible conflicts of interest of violations of the Company's policies;
- 3.1.2. Have full and unrestricted access to the Group and Company's record, information, properties, personnel and other resources;
- 3.1.3. Be able to obtain external professional advice and secure the attendance of persons with relevant experience and expertise if it considers this necessary; and
- 3.1.4. Have direct communication channels and be able to convene meetings with the EA, IA or both excluding the attendance of members of the Management, whenever deemed necessary and such meetings with the EA shall be held at least twice a year.

### 3.2. The IA shall report directly to the ARMC and shall have direct access to the Chairman of the ARMC on all matters of internal control and audit. All proposals by Management regarding the appointment, transfer and removal of the IA of the Company shall require prior approval of the ARMC. Any inappropriate restrictions on audit scope are to be reported to the ARMC.

### 3.3. The ARMC shall report to the Board and may from time to time submit to the Board its recommendation on matters within its purview for the Board's decision.

## 4. Roles and Responsibilities

The ARMC should assume the following principal responsibilities:

### 4.1. Financial Reporting

- 4.1.1. Review quarterly and annual financial statements of the Company, focusing particularly on:
  - i) Changes in or implementation of major accounting policy or accounting standards;
  - ii) Significant matters highlighted including financial reporting issues, significant judgement made by Management, significant unusual events or exceptional transactions and how these matters are addressed;
  - iii) Financial reporting and disclosures and compliance with regulatory requirements; and
  - iv) The going concern assumption

- 4.2. Internal Control and Risk Management
  - 4.2.1. Review the adequacy and effectiveness of the Group internal control systems including the controls over financial reporting to ensure that the same are soundly conceived, in place, effectively administered, and regularly monitored.
  - 4.2.2. Review the effectiveness of the Group's Risk Management Framework including the methodology for identifying, evaluating and managing risks with the objective of minimizing losses and maximizing opportunities for the Group.
- 4.3. Internal Audit
  - 4.3.1. Review the internal audit plan including the adequacy of the scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities.
  - 4.3.2. Review the findings and audit recommendations reported by IA and follow-up Management's implementation of the recommended actions to ensure all key risks and control issues are addressed.
  - 4.3.3. Review the effectiveness of the audit process and assess competency and performance of the Internal Audit function.
- 4.4. External Audit
  - 4.4.1. Review with the EA their nature and scope of audit strategy and plan and their proposed audit fee for the year.
  - 4.4.2. Review the EA's findings arising from their audits, particularly on areas of concern raised in the management letter and management's responses to the findings of the EA and the EA's evaluation of the system of internal control, assistance given by the Management to the EA during the course of audit and any other matters the EA wish to discuss (in the absence of Management, if required).
  - 4.4.3. Assess the appointment or re-appointment of the EA based on factors related to the suitability, resources, competency and independence of the EA and review any questions of resignation, dismissal or cessation of office of the EA.
  - 4.4.4. Review any non-audit services performed by the EA taking into consideration the type of services rendered and the fees and ensure that the independent position of the EA is not compromised.
- 4.5. Related Party Transactions
  - 4.5.1. Review related party transactions including disclosure, values of mandates and situations involving potential conflict of interest that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
  - 4.5.2. Review the adequacy of processes that the Company has in place for evaluating, approving, tracking and reporting of related party transactions.
- 4.6. Other Matters
  - 4.6.1. Report to Bursa Securities, if the ARMC views that a matter resulting in a breach of the Bursa Securities Listing Requirements reported by the ARMC to the Board has not been satisfactorily resolved by the Board.
  - 4.6.2. Review dividend distribution strategy and all dividend payments proposed by the Management.

- 4.6.3. Review issues which are expected to have significant impact to the Group operations and business.
- 4.6.4. Review the compliance and implementation of policies including for example, the code of conduct, whistle blowing policy and others.
- 4.6.5. Review the Statement on Corporate Governance, ARMC Report and the Statement of Risk Management and Internal Control for including in the annual report.
- 4.6.6. Act on any other matters as may be directed by the Board.

## **5. Secretary**

- 5.1. The Secretary to the ARMC shall be the Company Secretary of the Company.
- 5.2. The Secretary is responsible to prepare the minutes of the ARMC meetings and circulate the minutes of the ARMC meetings promptly to all members of the ARMC and table the same to the Board for notation.

## **6. Meetings**

- 6.1. The ARMC shall hold at least four (4) regular meetings per year and as frequently as may be required. The Chairman may call for additional meetings if requested to do so by any committee member, Management, Internal and External Auditors.
- 6.2. The quorum for the ARMC meeting shall consist of at least two (2) members provided always that the person chairing the ARMC meeting shall be an Independent Non-Executive Director and Independent Directors forming the majority.
- 6.3. In the event the elected Chairman is not able to attend a meeting, a member of the ARMC shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Non-Executive Director.
- 6.4. Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gain the majority votes shall be the decision of the ARMC.

## **7. Circular Resolution**

- 7.1. A resolution in writing signed or approved by letter, telex, telefax or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be described as "Members' Circular Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one or more directors.

## **8. Amendments, Variation or Modification**

- 8.1. The ARMC shall review this Terms of Reference annually or such other intervals as it deems necessary and recommends to the Board on any changes required for its approval.