



# **AUDIT AND RISK MANAGEMENT COMMITTEE**

**TERM OF REFERENCE**

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**SMRT HOLDINGS BERHAD**  
Registration No. 200401021019 (659523-T)

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

**DEFINITIONS:**

|                     |  |
|---------------------|--|
| “Act”               | Companies Act 2016.  |
| “Board”             | : The Directors for the time being of the Company.   |
| “Bursa”             | : Bursa Malaysia Securities Berhad – Registration No. 200301033577 (635998-W).   |
| “CEO”               | : The principal executive officer of the Company for the time being, by whatever name called, and whether or not he is a Director.   |
| “Company”           | : SMRT Holdings Berhad – Registration No. 200401021019 (659523-T).   |
| “Company Secretary” | : Any person or persons jointly appointed to perform the duties of a secretary of the Company including any person appointed temporarily and any representative of the secretary.  |
| “Committee”         | : The Audit and Risk Management Committee of the Company.  |
| “Directors”         | : Shall have the same meaning given in Section 2 of the Act.   |
| “Group”             | : The Company and its subsidiaries.  |
| “LR”                | : Bursa Securities ACE Market Listing Requirements including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time. |

**1. DATE OF CHANGE**

The Board had on 11 April 2017 resolved to have the risk management of the Company to be under the purview of the Audit Committee, which was then renamed as Audit and Risk Management Committee.

## **2. OBJECTIVES**

The primary objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Group and to assist the Board in their responsibilities to identify, assess and monitor key business risks to mitigate adverse impacts on achieving strategic objectives with a view to safeguard shareholders' investments and the Group's assets.

In addition, the Committee shall assist the Board :

- (a) In complying with specified accounting standards and required disclosure as administered by Bursa, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) In presenting a balanced and understandable assessment of the Group's position and prospects;
- (c) In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors and overseeing and appraising the quality of audited conducted by the Company's Internal and External Auditors; and
- (d) In determining the adequacy of the Group's administrative, operating, accounting and financial controls.

## **3. COMPOSITION**

The Committee shall be appointed by the Board from its members pursuant to a resolution of the Board and must fulfil the following requirements:-

- (a) The Committee must comprise at least three (3) members, consisting wholly of independent non-executive Directors;
  - (b) At least one (1) member must be a member of the Malaysian Institute of Accountants or a person who fulfils the requirements as stated in the LR;
  - (c) No alternate Director shall be appointed as a member of the Committee; and
4. In the event of any vacancy resulting in non-compliance of the minimum of three (3) members requirement, the Board shall upon the recommendation of the Nomination and Remuneration Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event.
  5. The Committee has a policy that requires a former key audit partner who was part of the engagement team who made key decisions or judgments on significant matters with respect of the audit of the financial statements of the group, to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company.

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**4. CHAIRMAN**

- (a) The Chairman must be independent and shall also not be the Chairman of the Board; and
- (b) If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members of the Committee present may elect one of their numbers to be the Chairman of the meeting.

**5. SECRETARY**

The Company Secretary of the Company shall be the secretary of the Committee.

**6. QUORUM AND MEETINGS**

- (a) The Committee shall hold at least four (4) meetings per year with due notice of issues for discussion be given. The Committee shall record the proceedings of the meetings in discharging its duties and responsibilities. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
- (b) The quorum for a meeting shall be two (2) members of the Committee.
- (c) The CEO and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the Chairman of the Committee. Other Board members, employees of the Group and representatives of the External Auditors may attend meetings upon invitation of the Committee.
- (d) The Internal Auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend a meeting of the Committee at least once a year. The Committee shall meet at least once a year with the External and Internal Auditors in the absence of Executive Directors and the Senior Management. Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter which the Auditors belief should be brought to the attention of the Board or the shareholders.
- (e) The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- (f) Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

## **7. MINUTES**

- (a) The minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and other members of the Board.
- (b) The minutes of the meeting of the Committee shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (c) The members of the Committee may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

## **8. REPORTING**

- (a) The Chairman or a member of the Committee appointed by the Chairman shall report on the proceedings of each meeting to the Board.
- (b) The Committee shall annually (or on an ad-hoc basis) review its terms of reference and its own effectiveness, and recommend any necessary changes to the Board.
- (c) The Committee shall make recommendations to the Board, if and when necessary and shall be responsible for reviewing and agreeing all relevant sections in the Company's Annual Report and Accounts concerning risks and risk management.
- (d) The Committee shall report to the Board on any specific matter referred to it by the Board for investigation and report.

## **9. CIRCULAR RESOLUTION**

A resolution in writing signed by all the members of the Committee for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

Any such resolution may consist of several documents in like form each signed by one (1) or more members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

## **10. AUTHORITY**

In carrying out its duties and responsibilities, the Committee shall have the following rights:

- (a) The explicit authority to investigate any matter within its terms of reference;
- (b) Unrestricted access to any information, records, properties and personnel of the Group and access to resources which are required to perform its duties;

- (c) Direct communication channels with the External and Internal Auditors;
- (d) Ability to obtain independent professional or other advice at the cost of the Company and to invite external parties with relevant experience to attend the Committee meetings, if required, and to brief the Committee thereof;
- (e) Ability to convene meetings with the External or Internal Auditors or both, whenever deemed necessary, excluding the attendance of other Directors and employees of the Group;
- (f) Promptly report to Bursa where a matter reported by the Committee to the Board has not been satisfactorily resolved resulting in a breach of the LR;
- (g) The attendance by other Directors and employees of the Group at a meeting of the Committee shall be at the Committee's invitation and discretion and specific to that relevant meeting only;
- (h) Seek any information which the Committee requires from any Director, officer and employee of the Group and all such individuals are directed to cooperate with any requests made by the Committee; and
- (i) Give direction/guidance to management and/or responsible parties as to the implementation on the risk management framework/system and the approach that is to be taken.

## **11. RESPONSIBILITIES AND DUTIES**

In fulfilling its primary objectives, the Committee undertakes, amongst others, the following responsibilities and duties:

### ***External Audit***

- (a) To consider the nomination and appointment of External Auditors and to consider the adequacy of experience and resources of the External Auditors and determine the audit fee;
- (b) To review any letter of resignation from the External Auditors and any questions of resignation or dismissal;
- (c) To discuss with the External Auditors prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- (d) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the External Auditors;
- (e) To review with the External Auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- (f) To review whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;

- (g) To assess the suitability, objectivity and independence of the External Auditors; and
- (h) To discuss the contract for the provision of non-audit services which may be entered into and procedures that must be followed by the External Auditors. The contract which cannot be entered into include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

### ***Internal Audit***

To review the following in respect of internal audit:

- (a) adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (b) the internal audit programmes and results of the internal audit process and where necessary, ensure that appropriate actions are being taken on the recommendations of the internal audit function;
- (c) the major findings of internal audit investigations and management's responses and ensure that appropriate actions are being taken on the recommendations of the internal audit function;
- (d) its effectiveness and independence; and
- (e) any appointment, termination or resignation of the firm of internal auditors.

### ***Risk Management***

- (a) To identify key risks relevant to the Group's internal and external environments with respect to its business operations and strategic objectives and make recommendations to the Board on the Group's policy for risk management;
- (b) To review the processes and procedures for ensuring that all material business risks are properly identified and that the appropriate systems of monitoring and control are in place while considering all material breach of the agreed risk limits, if any, and review the actions taken;
- (c) To monitor and review the Group's internal controls and risk management systems and make recommendations where necessary to ensure that the systems are relevant, up-to-date and effective and shall take into account any changes to the Group's business environment, operations and business strategies; and
- (d) To evaluate the effects on the risks (if any) of the Group as a result of the findings of the Internal Auditors and/or any independent review carried out for the Committee.



### ***Whistleblowing***

The Committee shall review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matter and appropriate follow up action.

### ***Corporate Governance***

The responsibilities of the Committee include:

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) To review and monitor the training and continuous professional development of members of the Committee to keep themselves abreast of relevant development in accounting and auditing standards, regulations and practices;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance/risk management manual (if any) applicable to Directors and employees;
- (e) To review the Company's compliance with the Code on Corporate Governance and disclosure in its Corporate Governance Report/Statement;
- (f) To report to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so); and
- (g) To prepare the Audit Committee Report at the end of the financial year for inclusion in the Annual Report.

### ***Others***

- (a) To review quarterly reporting to Bursa and year end annual financial statements of the Group before submission to the Board, focusing on:
  - compliance with accounting standards and regulatory requirements;
  - any major changes in accounting policies and practices; and
  - significant and unusual items and events as well as significant adjustments arising from the audit.
- (b) To review any related party transaction and conflict-of-interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (c) Review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report and report the same to the Board;

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- (d) Oversee the internal control structure of the Group to ensure administrative, operational and financial effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance;
  - (e) To promptly report to Bursa if it is of the view that a matter reported by the Committee to the Board has not been satisfactorily resolved resulting in a breach of the LR; and
  - (f) To consider any other functions as may be agreed between the Committee and the Board.

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