

REVISION HISTORY

The revision history of the Terms of Reference for Audit and Risk Management Committee is as follows:

Revision Date	Section(s)	Description of Changes	Version/Revision No.
26.06.2020	Entire Document	Adoption of Terms of Reference for Audit and Risk Management Committee	1.1
25.05.2022	6. Responsibilities and Duties	Addition of responsibilities and duties - External audit	1.2
28.11.2023	6. Responsibilities and Duties - Others	Addition of Conflict of Interest	1.3

1. OBJECTIVES

The primary objectives of the Audit and Risk Management Committee (“**ARMC**”) are to assist the Board of Directors (“**Board**”) in discharging its statutory duties and responsibilities relating to internal controls, financial and accounting records and policies as well as integrity in financial reporting practices of Systech Bhd (“**Company**”) and its subsidiaries (“**Group**”).

In addition, the ARMC shall assist the Board:-

- (a) in ensuring that the Group complies with specified accounting standards and required disclosure as administered by Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”) via the ACE Market Listing Requirements (“**LR**”), 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 financial 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 audit conducted by the Group’s internal and external auditors; and
- (d) in determining the adequacy of the Group’s administrative, operating and accounting controls.

2. COMPOSITION

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

- (a) The ARMC must comprise at least three (3) members, consisting wholly non-executive Directors and a majority of whom are independent.
- (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) The Chairman must be an Independent Non-Executive Director.
- (d) No alternate Director shall be appointed as a member of the ARMC.
- (e) In the event of any vacancy resulting in non-compliance of the minimum of three (3) members, the Board shall upon the recommendation of the Nomination Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event.

All members of the ARMC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the ARMC, and each of its members, at least once every three years to determine whether the ARMC has carried out its duties in accordance with its Terms of Reference.

3. SECRETARY

The Secretaries of the Company shall be the Secretaries of the ARMC.

4. MEETINGS

- (a) The ARMC shall hold at least four (4) regular meetings per year, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be called at any time, at the discretion of the Chairman of the ARMC.
- (b) The quorum for a meeting shall be two (2) members of the ARMC, who must both be Independent Directors.

- (c) The Group Chief Executive Officer (“GCEO”) and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the ARMC Chairman. Other Board members, employees of the Group and representatives of the External Auditors may attend meetings upon the invitation of the ARMC.
- (d) The Internal Auditors have the right to appear and be heard at any meeting of the ARMC and are recommended to attend each ARMC meeting. The ARMC shall meet at least twice a year with the External and Internal Auditors without the presence of executive Board members and the Senior Management. Upon the request of the Internal Auditors and/or External Auditors, the ARMC Chairman shall also convene a meeting of the ARMC to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (e) Subject to paragraph (a) above, in appropriate circumstances, the ARMC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as 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 members

5. AUTHORITY

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

- (a) the explicit authority to investigate any matter within its Terms of Reference;
- (b) access to the resources which are required to perform its duties;
- (c) full, free and unrestricted access to any information, records, properties and personnel of the Group;
- (d) direct communication channels with the External and Internal Auditors;
- (e) ability to obtain independent professional or other advice at the Company’s costs, and to invite external parties with relevant experience to attend the ARMC meetings, if required, and to brief the ARMC thereof;
- (f) ability to convene meetings with External and Internal Auditors, or both, whenever deemed necessary, excluding the attendance of other Directors and employees of the Group;
- (g) promptly report to Bursa Malaysia where a matter reported by the ARMC to the Board has not been satisfactorily resolved resulting in a breach of the LR; and
- (h) the attendance of any particular ARMC meeting by other Directors and employees of the Group shall be at the ARMC’s invitation and discretion, and specific to that relevant meeting only.

6. RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, the ARMC 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) Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit; and
- h) To require a former audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

Internal Audit

- a) Review the following in respect of internal audit:-
 - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function; and
 - review and approve any appointment, termination or resignation of the firm of internal auditors.

Risk Management

- a) Review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;
- b) Review the effectiveness of internal control systems deployed by the Management to address those risks;
- c) Review and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- d) Review and further monitor principal risks that may affect the Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
- e) Communication and monitoring of risk assessment results to the Board; and
- f) Actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group.

Others

- a) Review the quarterly reporting to the Bursa Malaysia 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 or implementation of accounting policies and practices; and
 - significant and unusual items and events as well as significant adjustments arising from the audit.
- b) Review and monitor any related party transaction/business dealings entered into by the Group to ensure that they are conducted on arms' length basis and based on terms that are fair to the Group; and
- c) Review any conflict of interest ("COI") or potential COI situation involving a director, key senior management and legal representative ("key person") within the Group which may include but not limited to:-
- using property or resources of the Group for his or her personal purpose or business;
 - channelling benefits of resources meant for the Group to a company which he or she has an interest in;
 - disclosing trade secrets to a competitor where he or she has interest in;
 - prioritising his or her private venture by depriving the Group from an identified business opportunity;
 - leveraging on the Group's business or developmental plan by acquiring adjacent lands using the said key person's private company;
 - involving in a business which offers similar products or services that are likely to replace or substitute the products or services offered by the Group;
 - holding offices or directorship in competitors of the Group; or
 - providing financial assistance to, or receiving financial assistance from, the Group on terms and conditions which more favourable to the said key person than normal commercial terms,

and to undertake measures to resolve, eliminate and mitigate such COI situation within the Group which may include but not limited to: -

- requiring declaration of COI as soon as practicable after the relevant facts have come to the knowledge of the said key persons, as well as on a periodic and regular basis;
- restricting participation of the said key persons in any applicable Board, committee or general meetings and requiring the said key persons to abstain or recuse themselves from deliberation and voting on matters relating to the said COIs;
- undertaking an assessment on COI of the said key persons during the performance appraisal on an annual basis and for new appointments, before the appointment;
- requiring the said key persons to execute a non-disclosure or confidentiality agreement to protect any type of confidential and proprietary information or trade secrets;
- restricting the said key persons from participating in businesses which compete with the Group; or in extreme circumstances where the COI are likely to affect the performance of the said key persons, requiring such persons to either divest the interest causing the conflict or resign from the Group.

PROCEDURE

• **Duty to Disclose:**

Any individual who has a COI situation is obligated to disclose his interest prior to entering any transactions or business arrangement with the Group, or as soon as it arises if the transaction or business arrangement is still in subsistence. Failure to make such disclosures may lead to termination of employment and business relationships. The interested individual shall abstain from deliberating and approving the transactions or business arrangement.

• **Evaluating potential COI situation:**

The AC shall evaluate the COI situation when a possible COI arises. If the AC determines that a conflict exists, steps will be taken to manage the situation. If no conflict exists, the inquiry may be documented, and no further action will be taken.

• **Addressing COI:**

When an actual COI is identified, any transactions that may have been affected will be reviewed retroactively. An investigation will also be conducted by the AC to determine the extent of the conflict and the intentions of the parties involved. If the conflict in question involves a member or members of the board of directors, such a member will be excused from the deliberations.

• **Investigation and disciplinary action:**

All COI cases will be investigated by the AC. Upon completion of the investigation, the AC shall refer its investigation report to the Board for appropriate disciplinary action to be taken.

• **ARMC Report disclosure:**

The AC shall disclose a summary of any COI or potential COI situation within the Group that it has reviewed (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts, in its ARMC report.

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

This Terms of Reference was adopted by the Board on 28 November 2023.

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