



OMESTI BERHAD

[200001028094 (530701-T)]

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



Terms of Reference of Audit & Risk Management Committee

1. COMPOSITION

The Audit & Risk Management Committee (“Committee”) shall be appointed by the Directors from among its members which fulfills the following requirements:

- the Committee shall comprise no fewer than three (3) members;
- a majority of the Committee must be independent non-executive directors;

In this respect, “independent directors” is as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

- all members of the Committee should be non-executive directors; and
- at least one member of the Committee:
 - must be a member of the Malaysian Institute of Accountants; or
 - if he or she is not a member of the Malaysian Institute of Accountants, he or she must have at least three years working experience and:
 - (a) must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (b) he or she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - fulfils such other requirements as prescribed or approved by Bursa Securities.
- No alternate director is appointed as a member of the Committee.
- No former key audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.
- in the event that a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum three (3) members.
- The Board of Directors shall have the discretion as it deems fit to rescind and/or revoke the appointment of any person(s) in the Committee.

2. CHAIRMAN

The Committee shall elect a Chairman from among its members who shall be an independent director.



In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be independent director to chair the Meeting.

3. SECRETARY

The Company Secretary or other appropriate senior official shall act as secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of the Committee meeting and circulating them to the committee members and to the other members of the Board of Directors. Minutes of the Committee meeting shall be presented at the Board of Directors' meeting for notation purposes.

4. REVIEW OF AUDIT COMMITTEE

The Nominating Committee will review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

5. AUTHORITY

The Committee is granted with the authority to investigate any activities of the Company and its subsidiaries within its terms of reference. In particular, the Committee has the right to:

- have adequate resources required to perform the duties;
- full and unrestricted access to any information;
- obtain independent professional or other advice; and
- have direct communication channels with the internal and external auditors.

6. DUTIES

The duties of the Committee shall be:

- to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal before making a recommendation to the Board of Directors;
- to discuss with external auditors before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;



- to review the quarterly and year-end financial statements of the Group and the Company, focusing particularly on any changes in or implementation of major accounting policies and practices, significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions, and how these matters are addressed and compliance with applicable approved accounting standards and other legal requirements;
- to discuss the findings, problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- to review external auditors' management letters and management responses;
- to do the following in respect of the internal audit function:
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function and to provide the opportunity for the resigning staff member to submit his/her reasons for resigning. In the event where the internal audit function is outsourced, to approve the appointment and termination of the third party internal audit service provider; and
 - ensure coordination between internal and external auditors.
- to oversee the risk management activities of the Group, approving risk management procedures and measurement methodologies across the Company as well as identification and management of strategic business risks of the Group as follows:-
 - to champion and promote the Enterprise Risk Management (i.e. risk awareness and training) and to ensure that the risk management process and culture are embedded throughout the Group;
 - to ensure the implementation of the objectives outlined in the Risk Management Policy and compliance with them;
 - to provide routine annual reporting and update the Board on the key risks together with their mitigation plans as well as ad hoc reporting and evaluation on investment proposals;
 - to work with the Internal Audit team in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Committee and Board;
- to consider any related party transactions 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;



- to consider the major findings of internal investigations and the management's response;
- to report to the Board its activities, significant results and findings;
- to promptly report to Bursa Securities on matters reported by it to the Board that have not been satisfactory resolved resulting in a breach of the Listing Requirements of Bursa Securities; and
- to consider other topics as defined by the Board.

7. MEETINGS

The Committee shall meet at least four times a year and such additional meetings, as the Chairman shall decide in order to fulfill its duties. The Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting. Meetings of the Committee linked by instantaneous telecommunication device of a number of the members of the Committee no less than the quorum whether or not any one or more of the members of the Committee is out of Malaysia, is deemed to constitute a meeting of the Committee.

For the purpose of this provision, "instantaneous telecommunication device" means "any telecommunication conferencing device with or without visual capacity".

At least twice a year, the Committee shall meet with the external auditors without the presence of the executive directors. In addition, the Chairman may call a meeting of the Committee if a request is made by any committee member, the Managing Director, or the internal or the external auditors.

8. QUORUM

A quorum shall be two (2) members, both being Independent Non-Executive Directors.

9. MINUTES

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Chairman of the Committee shall report on each meeting to the Board.

10. CIRCULAR RESOLUTIONS

A resolution in writing signed or approved by letter, telex, telefax or other forms of electronic communications by the majority of the members, shall be valid and effectual as if it had been passed at a meeting. All such resolutions 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 forms, each signed by one or more member(s) of the Committee.