

# **PINEAPPLE RESOURCES BERHAD**

Registration No. 198001001637 (55420-P)

**TERMS OF REFERENCE OF**

**AUDIT AND RISK MANAGEMENT COMMITTEE**

(2023)

## 1. OBJECTIVES

- 1.1 The primary function of the Audit and Risk Management Committee (“**ARMC**”) is to assist the Board of Directors (“**Board**”) in discharging its statutory duties and responsibilities relating to the financial reporting process, internal controls, risk management of the Company and its subsidiaries (“**Group**”), amongst others:
- oversee the transparency of the financial reporting process;
  - provide assurance that the financial information presented by management is relevant, reliable and timely;
  - evaluate the quality of audit work conducted by internal auditors and external auditors and their performances;
  - ensure that the Group adopts a risk management framework which is based on internationally recognised risk management framework;
  - manage and review the effectiveness of Group’s risk management and internal control framework and policies;
  - ensure that proper process and procedures are in place to comply with all laws, rules and regulations, directives and guidelines established by relevant regulatory bodies; and
  - act upon the Board’s request to investigate and report on any issues or concerns in regard to the management.

## 2. COMPOSITION

- 2.1 Members of the ARMC shall be appointed by the Board from amongst its Directors and shall comprise at least three (3) members, all of whom must be Independent Non-Executive Directors.
- 2.2 All members of the ARMC should be financially literate and have sufficient understanding of the Company’s business and be able to read, analyse, interpret and understand financial statements and ask pertinent questions about the Company’s financial reporting process.
- 2.3 The Chairman of the Board must not be a member of the ARMC.
- 2.4 At least one (1) member of the ARMC:
- a) must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
  - b) if not a member of the MIA, he/she must have at least three (3) years’ working experience; and
    - i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - ii) must be a member of one associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
  - c) fulfil such other requirements as prescribed by Bursa Malaysia Securities Berhad (“**Bursa Securities**”).
- 2.5 No Alternate Director shall be appointed as a member of the ARMC.

- 2.6 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.
- 2.7 The term of office and performance of the ARMC and each of its members shall be reviewed by the Nomination and Remuneration Committee (“NRC”) annually to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference.
- 2.8 Where the members of the ARMC for any reason are reduced to less than three (3), the Board shall, based on the recommendations of the NRC, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **3. CHAIRMAN**

- 3.1 The Chairman of the ARMC shall be an Independent Non-Executive Director elected amongst its members.
- 3.2 In the absence of the Chairman of the ARMC or if the Chairman of the ARMC is not present at any ARMC meeting within fifteen (15) minutes after the time appointed for holding the meeting, the other members of the ARMC shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

### **4. SECRETARY**

- 4.1 The Company Secretary shall be the Secretary of the ARMC.

### **5. QUORUM AND MEETING PROCEDURES**

- 5.1 The ARMC shall meet at least four (4) times on a quarterly basis in each financial year or as and when the ARMC deems necessary to fulfil its responsibilities.
- 5.2 The ARMC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all persons to participate for the entire duration of the meeting. The technology to be used may include telephone conference, videophone conference or such other communication equipment or electronic means which allow all persons participating in the meeting to communicate, hear, speak and/or see each other simultaneously and instantaneously.
- 5.3 A virtual meeting shall be deemed to constitute an ARMC meeting provided the following conditions are met:
  - (a) all the ARMC members for the time being entitled to receive notice of the ARMC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and

- (b) an ARMC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and an ARMC member shall be conclusively presumed to have been present and have always formed part of the quorum during such a meeting until such notified time of his/her leaving the meeting.
- 5.4 The main venue of the meeting shall be the place where the Chairman is present or the Chairman of the meeting is present, if the meeting is not chaired by the Chairman.
- 5.5 The quorum for the meeting shall be two (2) members.
- 5.6 The Company Secretary in consultation with the Chairman of the ARMC, shall draw up the agenda of the meeting, together with the relevant meeting or supporting papers, which shall be circulated five (5) business days in advance, or such shorter period where it is unavoidable, prior to each meeting to the members of the ARMC.
- 5.7 The ARMC may, as and when deemed necessary, invite any Board members or any member of senior management or any employee or consultant, who the ARMC deem fit, to attend its meetings to assist and provide pertinent information as necessary. In addition, external professionals may also be invited to attend meetings when the agenda calls for their expertise.
- 5.8 A matter put to vote at the ARMC meetings shall be decided by a simple majority of the votes. In the case of an equality of votes, the Chairman shall have the casting vote.
- 5.9 A member of the ARMC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.
- 5.10 The ARMC shall meet at least once a year with the internal auditors and external auditors without the presence of any executive Board members, management or employees and may request for additional meetings if necessary.

## **6. MINUTES**

- 6.1 The Company shall cause minutes of all proceedings of the ARMC meeting to be entered in the minutes books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.
- 6.2 Minutes shall be kept by the Company at the registered office and shall be open for inspection by any ARMC member or Board member.
- 6.3 The minutes of each ARMC meeting shall be presented to the Board meeting for notation.

## **7. ARMC CIRCULAR RESOLUTION**

- 7.1 A resolution in writing signed by a majority of the ARMC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted.

- 7.2 The resolution may consist of several documents in like form, each signed by one (1) or more ARMC members. Such document may be accepted as sufficiently signed by an ARMC member if it is transmitted to the Company by facsimile or other electrical or digital written message or any technology purporting to include a signature and/or an electronic or digital signature of the said ARMC member.

## **8. REPORTING**

- 8.1 The ARMC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each ARMC meeting. When presenting any recommendations to the Board for approval, the ARMC shall provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **9. AUTHORITY**

- 9.1 The ARMC shall in accordance with a procedure to be determined by the Board and at the expense of the Company:
- a) have explicit authority to investigate any activity or matter within its terms of reference;
  - b) have the resources which are required to perform its duties;
  - c) have full and unrestricted access to all information and documents within the Group to perform its duties, as well as to the internal auditors and external auditors and management of the Group;
  - d) have the authority to obtain independent legal or external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;
  - e) have direct communication channel with the external auditors and person(s) carrying out the internal audit functions as well as employees of the Group; and
  - f) where the ARMC is of the view that the matter they reported to Board has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Securities, the ARMC shall promptly report such matter to Bursa Securities.

## **10. DUTIES AND RESPONSIBILITIES**

- 10.1 The duties and responsibilities of the ARMC are as follows:

### **10.1.1 Financial Reporting**

- a) Review the quarterly results and the annual financial statements of the Group, before submission to the Board for approval, focusing particularly on:
  - i) changes in or implementation of new or major accounting policies and practices;

- ii) significant matters highlighted including financial reporting issues, significant judgment made by management, significant and unusual events or transactions and how these matters are addressed;
  - iii) significant adjustment arising from the audit;
  - iv) major judgmental areas;
  - v) the going concern assumption; and
  - vi) compliance with the applicable approved accounting standards, regulatory and other legal requirements.
- b) Review and provide advice on whether the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance.
  - c) Ensure that the financial statements are consistent with operational and other information, where there are significant matters requiring judgment.

#### **10.1.2 External Auditors**

- a) Consider and recommend to the Board on the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit services), after assessing their independence and capabilities as well as the effectiveness of the external audit process and their services.
- b) Review the following and report the same to the Board:
  - i) letter of resignation from the external auditors or proposal for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
  - ii) whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.
- c) Assess the suitability, objectivity and independence of the external auditors on an annual basis based on established policies and procedures and the annual performance evaluation of the external auditors undertaken by the ARMC. The policies and procedures should include the following considerations:

- i) criteria to decide on the appointment and re-appointment of the external auditors. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditors in relation to the audit. The assessment should also consider the information as presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the ARMC may engage the audit firm on matters typically covered in an Annual Transparency Report, including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
  - ii) the appropriateness of audit fees to support a quality audit;
  - iii) Non-audit services must be approved by the ARMC before they are rendered by the external auditors and its affiliates while considering the nature and extent of the non-audit services and the appropriateness of the level of fees;
  - iv) obtain written assurance from the external auditors confirming that they are and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
  - v) conduct an annual evaluation on the performance of the external auditors by the management and the ARMC.
- d) Review the following with the external auditors and report the same to the Board:
- i) audit plan, its scope and nature;
  - ii) audit report;
  - iii) evaluation of the system of internal controls;
  - iv) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit; and
  - v) external auditors' management letter and management's response thereto.

### **10.1.3 Internal Audit**

- a) Review the adequacy of the scope, resources and budget of the internal audit function, and that it has the necessary authority to carry out its work.
- b) Review the internal audit plan, programme and the reporting structure.

- c) Review the findings of the internal auditor's reports, investigations undertaken and whether appropriate actions are taken by the management, based on the recommendations of the internal auditors.
- d) Review the appraisal or evaluation on the performance of the internal audit function on an annual basis.
- e) Ensure the internal auditors are given full access to all the documents relating to the governance, financial statements and operational assessments of the Group.
- f) Take cognizance of resignations of internal audit staff members (for in-house internal audit function) or the audit service provider (for outsourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit the reasons for resigning.
- g) Review any special audit which the ARMC deems necessary.

#### **10.1.4 Risk Management and Internal Control**

- a) Establish an adequate and effective Group's risk management and internal control framework.
- b) Review and assess the Group's level of risk appetite and risk tolerance.
- c) Review the risk management framework, policies and process, including identifying, managing, monitoring and mitigating the significant risks of the Group, and recommend for approval by the Board.
- d) Review significant risks identified (including operational, financial, regulatory compliance, cyber security, sustainability and reputational risks) and assess the mitigating actions put in place to manage these risks.
- e) Review the adequacy of resources for managing the risk management and internal control framework.

#### **10.1.5 Related Party Transactions ("RPT"), Recurrent RPT ("RRPT") and Conflict of Interest**

- a) Establish comprehensive procedures for identifying, evaluating, approving reporting RPT and RRPT, and monitoring conflict of interest situations.
- b) Review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms not more favourable to the related parties than those available to the public.



- c) Review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not detrimental to the minority shareholders.

#### **10.1.6 Others**

- a) Review financial related reports, Statement on Risk Management and Internal Control, Corporate Governance Statement as required by the Listing Requirements of Bursa Securities for inclusion in the Annual Report.
- b) Verify allocation of units of options issued pursuant to the various incentive or retention scheme implemented by the Group, if any.
- c) Obtain regular updates from the management regarding compliance matters.
- d) Review regulatory and compliance reports and any other reports within the purview of the ARMC.
- e) Periodically review the adequacy and appropriateness of Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy.
- f) Carry out any other functions that may be mutually agreed upon by the ARMC and the Board.

### **11. REVIEW OF THE TERMS OF REFERENCE**

11.1 Any amendments to these terms of reference are to be approved by the Board. These terms of reference shall be reviewed and updated periodically in accordance with the needs of the Company as well as any development in the rules and regulations that may have an impact on the discharge of the responsibilities of the ARMC.

11.2 The terms of reference is made available for reference on the Company's website at [www.pineappleresources.com.my](http://www.pineappleresources.com.my).