



PGF CAPITAL BERHAD
TERMS OF REFERENCE for
Audit & Risk Management
Committee

(Version 1: approved on 20 January 2025)

AUDIT & RISK MANAGEMENT COMMITTEE

OBJECTIVES

The principal objective of the Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and each of its subsidiaries. In addition, the Committee shall:

1. oversee and appraise the quality of the audit conducted by the internal and external auditors;
2. oversee compliance with laws and regulations and observance of a proper code of conduct; and
3. determine the adequacy of the control environment of the Group.

COMPOSITION

The Committee shall be appointed by the Board from among their number (pursuant to a resolution of the Board of Directors) and shall consist of not less than three (3) members, all the members must be Non-Executive Directors, with majority of whom shall be Independent Non-Executive Directors and at least one of whom shall be:

1. a member of the Malaysian Institute of Accountants (“MIA”)
2. if the Director is not a member of the MIA, the Director must have at least three (3) years of working experience and:
 - the Director must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967, or
 - the Director must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).

No audit partner of the Group’s external auditors shall be appointed to the Committee unless he/she has observed a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

If 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 to below three (3), the Board shall, within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

MEETINGS

The Committee will meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. Where relevant and appropriate, the internal auditor and representatives of the external auditors shall normally be invited to attend meetings. The external auditors or any member of the Committee may request a meeting if they consider one necessary.

The Committee shall meet at least twice a year with the external auditors without the presence of any Executive Director of the Board. The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Company Secretary shall be responsible, with the concurrence of the Chairman, for preparing and circulating the Agenda and the Notice of Meeting, together with supporting explanatory documentation to members of the Committee prior to each meeting. The minutes of each meeting shall be kept and distributed to members of the Committee and the Board of Directors.

A quorum shall be three (3) members present and a majority of whom must be Independent Directors.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

AUTHORITY

The Committee is authorised by the Board:

1. to investigate any matter within its terms of reference;
2. to have the resources in order to perform its duties as set out in its terms of reference;
3. to have full and unrestricted access to any information pertaining to the Company and the Group;
4. to have direct communication channels to the internal and external auditors;

5. to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary; and
6. to meet with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

DUTIES & RESPONSIBILITIES

The duties & responsibilities of the Committee are:

1. External Auditor

- 1.1 to recommend to the Board the nomination of a person or persons as external auditors and the audit fees thereof;
- 1.2 to make appropriate recommendations to the Board on matters of resignation or dismissal of the external auditors;
- 1.3 to consider whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- 1.4 to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- 1.5 to review with the external auditors, their evaluation of the system of internal controls;
- 1.6 to review the assistance given by the employees of the Company to the external auditors;

2. Financial Reporting

- 2.1 to review the quarterly and year-end financial statements of the Company and the Group before submission to the Board of Directors, focusing particularly on:
 - 2.1.1 any changes in or implementation of major accounting policies;
 - 2.1.2 significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions, and how these matters are addressed;
 - 2.1.3 significant adjustments arising from the audit;
 - 2.1.4 the going concern assumption; and
 - 2.1.5 compliance with accounting standards and other legal requirements.
- 2.2 to discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors, the internal auditors or both, may wish to discuss, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- 2.3 to review the external auditors' management letter and management's response thereto;

3 Internal Audit Function

- 3.1 to establish the following with the internal auditor:
 - 3.1.1 review adequacy of scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - 3.1.2 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;

- 3.1.3 review any appraisal or assessment of the performance of members of the internal audit function; and
- 3.1.4 approve any appointment or termination of senior staff members associated with the internal audit function and to provide opportunity for the resigning staff member to submit his reasons for resigning.

4 Related Party Transaction and Conflict of Interest

To consider any related party transactions and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity;

5 Risk Management

- 5.1 To review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management.
 - 5.2 To review and discuss with management the Company's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and operational risk, as well as guidelines, policies and processes for monitoring and mitigating such risks.
 - 5.3 To ensure that appropriate reporting and feedback is received from management with regards to risk management activities carried out and report back to the Board with regards to Company risk profile.
- 6 to review the effectiveness of internal control system;
 - 7 to consider the major findings of internal investigations and management's response; and
 - 8 any such other functions as may be authorised by the Board.

REPORTING PROCEDURES

The Chairman of the Committee shall report on each meeting to the Board. The Committee shall prepare reports, at least once a year, to the Board summarizing the Committee's activities during the year in discharge of its duties and responsibilities and the related significant results and findings.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia.