

**SCICOM (MSC) BERHAD (597426-H)**  
(Incorporated in Malaysia)

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

**1. CONSTITUTION**

The Audit Committee, first established in the year 2005 has in 2013 been renamed as the Audit and Risk Management Committee (the "Committee").

**2. COMPOSITION OF COMMITTEE**

- ❑ The Committee members shall be appointed by the Board of Directors (the "Board") from amongst their members and shall consist of at least three members with majority being Independent Directors. The Board must ensure that the CEO shall not be a member of the Committee.
- ❑ At least one member of the Committee shall be a member of the Malaysian Institute of Accountants, or possess at least three years' working experience and has passed the examinations set out in Part II of the First Schedule of the Accountants Act 1967 respectively.
- ❑ No alternate Director/s shall be appointed to be member/s of the Committee.
- ❑ The members of the Committee shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director.
- ❑ The Board reviews the terms of reference and evaluates the performance of the Committee and each of its members at least once every three years, to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

**3. MEETINGS**

**(a) Frequency of Meeting**

- ❑ The Committee shall meet no less than four (4) times a year and as many times as the Committee deems necessary with due notice of issues to be discussed.

**(b) Proceedings of Meeting**

- ❑ At least four (4) meetings are held in a year. However, meetings are also held as and when required or upon the request of the external auditors to consider any matters that the external auditors believe should be brought to the attention of the Directors and/or shareholders.
- ❑ The quorum for meeting of the Committee shall be two (2) members of which the majority of members present must be Independent Non-Executive Directors.

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**3. MEETINGS (CONTINUED)**

**(b) Proceedings of Meeting (continued)**

- ❑ The agenda of the Committee meetings shall be circulated before each meeting to members of the Committee. The Committee may require the external auditors, internal auditors and any officer of the Company to attend any of its meetings as it determines.
- ❑ If at any meeting, the Chairman of the Committee is not present within fifteen (15) minutes of the time appointed for holding the same, the members of the Committee present shall choose another member who shall be an Independent Non-Executive Director to be the Chairman of such meeting.
- ❑ The Company Secretary shall be the Secretary of the Committee.
- ❑ Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the Committee shall have a second or casting vote.

**(c) Attendance at Meeting**

- ❑ The presence of external auditors and internal auditors (if any) respectively at any meeting of the Committee can be requested if required by the Committee.
- ❑ Other members of the Board and officers of the Company and its Group may attend the meeting (specific to the relevant meeting) upon the invitation of the Committee.
- ❑ The Committee shall meet with external auditors and internal auditors without the Executive Director and management present at least twice a year and once a year respectively.

**(d) Keeping and Inspection of Minutes**

- ❑ The Company shall cause minutes of all proceedings of the Committee Meeting to be entered in books kept for that purpose within 14 days of the date upon when the relevant meeting was held.
- ❑ Those minutes to be signed by the Chairman of the Committee Meeting at which the proceedings were had or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.
- ❑ The books containing the minutes of proceedings of the Committee Meeting shall be kept by the Company at the place to be determined by the Board, and shall be open to the inspection of any members of the Board or Committee members without charge.
- ❑ The minutes of the Committee meeting shall be circulated to the members of the Board for notation.

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**4. AUTHORITY**

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

1. have the authority to appoint the Internal auditors of the Company and establish an internal audit function which is independent of the activities and ensure that the Internal auditors report directly to the Committee;
2. have explicit authority to investigate any matter within the terms of reference;
3. have the resources which the Committee requires to perform the duties;
4. have full and unrestricted access to any information which the Committee requires in the course of performing the duties;
5. have unrestricted access to the Chief Executive Officer of the Company;
6. have direct communication channels with the External Auditors and persons carrying out the internal audit function or activity (if any);
7. be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
8. be able to invite outsiders with relevant experience to attend its meetings, if necessary; and
9. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other executive Board members and employees of the Company, whenever deemed necessary; and

**5. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall include the following and other duties as may be determined by the Board from time to time:

**(A) Matters relating to External Audit**

- (i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (ii) To review the nature, scope and quality of external audit plan/arrangements;
- (iii) To review quarterly and annual financial statements of the Group before recommending to the Board for approval, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, areas involving significant judgment, estimation or uncertainty in the Group's financial results, unusual transactions, significant one-off transactions and significant issues arising from the audit;

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**5. DUTIES AND RESPONSIBILITIES (CONTINUED)**

**(A) Matters relating to External Audit (continued)**

- (iv) To review the adequacy of disclosure of information essential for fair presentation of the financial affairs of the Company and the Group;
- (v) To review the external auditors' audit report on the financial statements;
- (vi) To review any management letter sent by the external auditors and the management's response to such letter;
- (vii) To review any letter of resignation from the external auditors;
- (viii) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- (ix) To review the adequacy of co-operation and assistance provided by the employees of the Group to the external auditors;
- (x) To discuss problems and reservations arising from the interim and final audits on any significant audit findings, reservations, difficulties encountered or material weakness reported; and
- (xi) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

**(B) Matters relating to Internal Audit function**

- (i) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that has the necessary authority to carry out the work;
- (ii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (iii) To review the follow up actions by the management on the weakness of internal accounting procedures and controls;
- (iv) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (v) To review the adequacy of co-operation and assistance provided by the employees of the Group to the internal auditors;
- (vi) To approve any appointment or termination of senior staff members of the internal audit function.

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**5. DUTIES AND RESPONSIBILITIES (CONTINUED)**

**(B) Matters relating to Internal Audit function** (continued)

- (vii) To review any appraisal or assessment of the performance of staff of the internal audit function, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgment issues;
- (viii) To review any letter of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

**(C) Matters relating to Risk Management and Internal Control Functions**

- (i) To review the adequacy of the system of risk management framework and the appropriateness of processes in place for the identification and management of significant risks;
- (ii) To review the Group's overall risk appetite, tolerance and strategy, taking into consideration of the current and prospective macroeconomic, financial environment and other authorities sources that may be relevant to the Group's risk policy;
- (iii) To oversee the risk management activities of the Group and ensure compliance and effective implementation of risk policy and objectives;
- (iv) To review the effectiveness of overall risk management and ensure that all the key risks and control lapses have been addressed;
- (v) To review and monitor the business and financial risks facing by the Group and to ensure that all high impact risks are adequately managed at various levels within the Group;
- (vi) To review and rate the risks of auditable areas and ensure that all high and critical risk areas are audited annually;
- (vii) To provide assurance of the adequacy and reliability of the risk management processes in compliance with risk-related regulatory requirements;
- (viii) To review the adequacy and integrity of internal control systems;
- (ix) To review the Group's process in detecting fraud;
- (x) To review the quality and effectiveness of the accounting and internal control system of the Group;
- (xi) To recommend to the Board the appointment and/or removal of the Chief Risk Officer; and
- (xii) To review reports on the Group from the Chief Risk Officer.

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**5. DUTIES AND RESPONSIBILITIES (CONTINUED)**

**(D) Other Matters:**

- (a) To consider and review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company and the Group;
- (b) To report to Bursa Securities on any matter reported by the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements for Main Market; and
- (c) To carry out any other functions that may be mutually agreed upon by the Committee and the Board which are beneficial to the Company; and
- (d) To ensure the effective discharge of the Committee's duties and responsibilities.

**(E) Retirement and Resignation of Member of Committee:**

**(a) Retirement/Resignation**

- A member of the Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

**(b) Vacancy**

- In the event of any vacancy in the Committee, the Company shall fill the vacancy within two (2) months, but in any case not later than three (3) months.