

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. Objectives

The primary function of the Audit and Risk Management Committee (the "Committee"), formed by the Board, is to assist the Board of Directors of JATI TINGGI GROUP BERHAD (the "Company") (the "Board") in fulfilling its fiduciary duties as well as the following oversight objectives on the activities of the Company and its subsidiary(ies) (the "Group"):

- oversee financial reporting process;
- evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group;
- Assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Group;
- Assess the risks and control environment; Review conflict of interest situations and related party transactions;
- Maintain open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- Undertake any such other functions as may be determined by the Board from time to time.

2. Composition

The Board shall elect the Committee members from amongst themselves, comprising no fewer than three (3) Directors (none of whom shall be Executive) and the majority shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of "independent directors" under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). All the members shall be financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- he must be a member of the associations of accountants specified in Part II of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by Bursa Securities.

If a member of the Committee resigns, dies or for any 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 but not the Chairman of the Board. No alternate Director of the Board shall be appointed as a member of the Committee.

It is required for a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3. Quorum and Meeting Procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Chairman of the Committee may call for a meeting of the Committee if a request is made by any Committee member, the Managing Director or the internal or external auditors.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be the appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman of the Committee, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes of all Committee meetings shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman of the Committee shall submit an annual report to the Board, summarising the Committee's activities during the year and the related significant results and findings thereof, including details of relevant training attended by each Committee member.

The Committee shall meet at least twice annually with the external auditors and at least once annually with the internal auditors without the presence of any executive Board members, management or employees. In addition, the management, the internal auditor and external auditors may request for a private session with the Committee to discuss any matter of concern.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter. A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more committee members and may be accepted as sufficiently signed by committee members if transmitted to the Company by email, facsimile or other electronic means or digital written message/application to include a signature of committee members.

The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting

As a best practice, the Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

4. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities.

The Committee shall have full and unlimited access to any information pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee shall have the resources that are required to perform its duties.

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 ACE Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

5. Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

External Audit

- 5.1 The appointment of the external auditors, the audit fee and any questions of reappointment, resignation or dismissal and in particular to assess the suitability and independence of the external auditors on an annual basis.
- 5.2 to set policies and procedures to assess the suitability, objectivity and independence of the external auditors;
- 5.3 review with the external auditors:
 - (a) prior to the audit commences, their audit plan which shall state the nature of the audit, and ensure co-ordination where more than one audit firm is involved;
 - (b) their evaluation of the system of the internal controls;
 - (c) their audit report;
 - (d) major findings raised by the external auditors including the external auditors' management letter and management's responses, including the status of the previous audit recommendations;
 - (e) the assistance given by the Group's employees to the external auditors; and
 - (f) on issues and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management necessary) at least once a year or more frequently as necessary.
- 5.4 to ensure and confirm that the management has placed no restriction on the scope of the audit and inquire into the staffing and competence of the external auditors in performing their work and assistance given by the Company's officers to the external auditors;
- 5.5 review the extent of assistance and co-operation extended by the Group's employees to the external auditors, including any difficulties or disputes with management encountered during the audit;
- 5.6 consider and make recommendations to the Board in relation to the nomination and re-appointment of the external auditors, audit fees, resignation or dismissal of the external auditors, by reviewing the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;

- 5.7 monitor the effectiveness of the external auditors' performance and their independence and objectivity;
- 5.8 discuss audit findings arising from the interim and final audits, and any matter the external auditors may wish to discuss (in absence of management or executive directors, at least twice a year or where necessary);
- 5.9 provide a direct line of communication between the Board and the external auditors; and
- 5.10 review the non-audit services provided by the external auditors and/or its network firms to the Company for the financial year, including the nature of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.

Internal Audit

- 5.11 establishment of an internal audit function (whether inhouse or outsourced) which is independent of the activities it audits;
- 5.12 ensure the internal audit function is independent of the activities it audits and the internal auditors reports functionally to the Committee directly and review their performance on an annual basis. The internal auditors shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;
- 5.13 take cognisance of resignations of internal audit staff members or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- 5.14 review the adequacy of the internal audit scope and plan, including the internal audit programme; functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- 5.15 review the internal audit plan, processes, the results of the internal audit assessment or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

- 5.16 review any appraisal or assessment of the performance of members of the internal audit function and the Continuing Professional Education attended by them (only applicable for in-house internal audit function);
- 5.17 approve any appointment or termination of senior staff members of the internal audit function and remuneration or fee of internal audit function;
- 5.18 conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes within the company to ensure internal audits are carried out in accordance with recognized framework;
- 5.19 if internal audit function is outsourced, to consider and recommend the appointment or termination of the internal auditors, the fee and ensure adequate resources are available including staffing and competence of the internal auditors in performing their work;
- 5.20 review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified;
- 5.21 review major audit findings and the management's response during the year with the management, external auditors and internal auditors, including the status of previous audit recommendations;
- 5.22 to meet with the internal auditors at least once a year without the presence of management to exchange opinions and for the internal auditors to convey any of their concerns;

Risk management

- 5.23 review the risk profile of the Group (including risk registers) and the Risk Management team's plans to mitigate business risks as identified from time to time;
- 5.24 review, assess, formulate and recommend risk management strategies, framework, policies, processes, tolerance and risk appetite limits to the Board;
- 5.25 monitoring of Group risk exposures to ensure implementation and compliance with approved risk policies and processes of the Group, and to ensure that significant risks identified are being responded to appropriately;

- 5.26 review status of management action(s) in mitigating significant risks identified;
- 5.27 review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system and to recommend such changes as may be deemed necessary to the Board;
- 5.28 review and assess the risks associated with all proposed strategic transactions of the Group and report the same to the Board for its deliberation of the transaction;
- 5.29 to coordinate on the activities of the internal audit function of the Group in relation to the review of risk management activities and to ensure significant business risks are adequately managed by the Group to ensure internal audits are carried out in accordance with approved framework and plan;
- 5.30 to ensure adequate infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of our Company's risk originating activities;
- 5.31 to review the impact of risk on capital adequacy and profitability under normal and stress scenarios;
- 5.32 to assess the adequacy of the business recovery/ disaster recovery procedures;
- 5.33 monitor the risk control measures for corporate liabilities risks identified;
- 5.34 review the operational effectiveness and efficiency in protecting the Group from bribery risks and ensure legal and regulatory compliance;
- 5.35 review the adequacy and integrity, including effectiveness, of risk management and internal control systems/framework, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- 5.36 direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts; and
- 5.37 in relation to sustainability management, the functions of ARMC shall include to:
- oversee the establishment and activities of the Sustainability Risk Management Committee ("SRMC") and the implementation of the sustainability strategy(s) approved by

the Board and to report the review results and recommendations to the Board for decision;

- review the process and results of sustainability matters identification, assessment and management conducted by SRMC and to report the review results and recommendations to the Board for decision;
- conduct periodic review of the material sustainability matters of the Group (at least on an annual basis or more often where circumstances require) and determine the adequacy of the response and the current status of the material sustainability matters and reporting the review results and recommendations to the Board for decision;
- review the need to conduct full sustainability review by SRMC and recommend to the Board for decision;
- conduct periodical review of the adequacy and effectiveness of the Group's sustainability governance structure and process to identify, assess and manage sustainability matters and reporting the review results and recommendations to the Board for decision;
- oversee the overall management of stakeholder engagement;
- oversee the identification of the material sustainability matters' indicator and establishment of the target and the review of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval; and
- direct the internal and external assurance function of the Group in relation to sustainability management and ensuring the adequacy of the resources and competency of the assurance functions.

Compliance

- 5.38 review procedures in place to ensure that the Group is in compliance with the Companies Act 2016 and the ACE Market Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- 5.39 obtain updates from the Group's management and its legal counsel regarding regulatory compliance matters;
- 5.40 review the annual internal and external audit reports on matters relating to compliance;

- 5.41 review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on the management's integrity;
- 5.42 review the process used to procure the Company's shareholders' mandate for recurrent related party transactions;
- 5.43 consider any material breaches or exposure to breaches of regulatory requirements, including the Group's Anti-Bribery and Corruption Policy;
- 5.44 review the effectiveness of anti-corruption measures taken;

Whistleblowing

- 5.45 review procedures established to address allegations raised by whistleblowers, to ensure independent investigation is conducted and follow-up action is taken and highlighted to the Committee;
- 5.46 the Committee shall exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy and Procedures for the Group; and
- 5.47 the Committee shall report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

Other responsibilities

- 5.48 review and approve the Committee's terms of reference as conditions dictate;
- 5.49 prepare reports, at least once (1) a year, to the Board which includes the following:
 - the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - the number of Committee meetings held during the financial year and details of attendance of each Committee member;

- a summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
- a summary of the work of the internal audit function;

5.50 to review:

- (a) the Annual Report, quarterly and year-end financial statements of the Company and Group and make its recommendation to the Board of Directors for their approval and announcement to Bursa Securities focusing particularly on:
 - changes in or implementation of major accounting policies and practices;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed;
 - the going concern assumption; and
- (b) compliance with applicable financial and accounting reporting standards and other legal requirements.
- (c) submit an annual report to the Board of Directors summarising the Committee's activities during the financial year and the related significant results and findings.
- (d) to carry out any other matters, as may be defined and directed by the Board from time to time.

5.51 any other activities, as may be defined and directed by the Board from time to time.

If the audit firm is not required to issue an Annual Transparency Report, the committee members is encouraged to engage the audit firm on matters typically covered in Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks.

The Chairman of the Committee shall engage on a continuous basis with the senior management, such as the Group Managing Director or Executive Directors, Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

6. Minutes

The Secretary shall keep all the minutes of meetings of the Committee and copies thereof shall be circulated to all members of the Board.

7. Revision of the Terms of Reference

Any revision or amendment to this Terms of Reference, as proposed by the Audit and Risk Management Committee or any third party, shall first be presented to the Board for its approval.

Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

(This Terms of Reference for the Audit and Risk Management Committee was approved and adopted by the Board on 10 October 2022)
