



CTOS DIGITAL BERHAD

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

| No. | Heading | Details |
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| 1. | Introduction | <p>This policy document contains the terms of reference for the Audit and Risk Committee (“ARC”) (“Terms of Reference”), a sub-committee established by CTOS Digital Berhad’s (“the Company”) Board of Directors (“the Board”). It is intended to outline the respective roles, responsibilities and authority of the ARC in its effective discharge of responsibilities in relation to the functions set out herein.</p> <p>The ARC is subject to the provisions of the Company’s Board Charter and Terms of Reference, the Credit Reporting Agencies Act 2010 (“CRAA 2010”), the Companies Act 2016 (“CA 2016”), the Malaysian Code on Corporate Governance 2017 (“MCCG”), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”), the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries of the Securities Commission Malaysia and all other applicable laws and/or regulatory requirements.</p> |
| 2. | Objectives | <p>In meeting its responsibilities, the ARC will report to the Board and take reasonable steps in its oversight of the following key areas:</p> <ul style="list-style-type: none"> (i) Overseeing financial reporting process to ensure accurate and timely financial reporting and compliance with applicable financial reporting standards; (ii) Evaluating the internal and external audit processes; (iii) Overseeing the risk management and internal control framework and policies of the Company and its subsidiaries (“Group”), and assessing the processes related to the Group’s risks and control environment; (iv) Overseeing the Group compliance with applicable laws, rules and regulations and has in place an appropriate code of business conduct; (v) Reviewing related party transactions and conflict of interest situations; and (vi) Overseeing the implementation and monitoring of the Whistleblowing Policy and Procedures for the Group, and ensuring effective administration thereof. |
| 3. | Financial Reporting | <p>3.1 The duties and responsibilities of the ARC with regards to financial reporting include a review of the quarterly reports on consolidated results and yearly financial statements of the Company, focusing in particular on:</p> <ul style="list-style-type: none"> (i) Any change(s) in accounting policies and practices, and the implementation of such changes; (ii) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or |

| No. | Heading | Details |
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| | | <p>transactions, and how these matters are addressed;</p> <ul style="list-style-type: none"> (iii) Significant adjustments arising from the audit; (iv) Litigation that could affect the results materially; (v) The going concern assumption; (vi) Compliance with accounting standards, other legal requirements and regulatory requirements; (vii) Corporate disclosure policies and procedures of the Company (as they pertain to accounting, audit and financial matters); (viii) Whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance; (ix) Demonstrating an appropriate level of vigilance and skepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements; and (x) Making appropriate recommendations relating to financial, audit and compliance findings to the Board for approval, where necessary. |
| 4. | Risk Management | <p>4.1 The duties and responsibilities of the ARC with regard to its risk management responsibilities include:</p> <ul style="list-style-type: none"> (i) To develop and inculcate a risk awareness culture within the Company; (ii) To provide input to Management [refers to C-level Team (being the GCEO, Deputy GCEO, CEO, CFO and COO and any other personnel designated "Chief") and Senior Leadership Team (includes the Senior General Managers, General Managers and Heads of Departments)] regarding the Company's risk appetite and risk tolerance; (iii) To provide in-depth governance of risks for the Group; (iv) To review and robustly assess the design, completeness and effectiveness of the risk management framework relative to the Company's activities to ensure key risks are systematically identified, monitored and controlled; (v) To oversee specific risk management concerns raised by business units; (vi) To regularly review risk management and assurance reports from Management and the appointed risk manager on matter relating to risk management as the Board may request from time to time; (vii) To monitor and ensure the timeliness of and reports on the effectiveness of corrective action taken; |

| No. | Heading | Details |
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| | | <p>(viii) To ensure resources and systems are in place for the risk management function; and</p> <p>(ix) To review the implementation and adequacy of the Group's Business Continuity Plan.</p> <p>4.2 In discharging its responsibilities, the ARC will receive regular risk reports detailing material risks and mitigating strategies and actions for the Company.</p> |
| 5. | Internal Controls | <p>5.1 The duties and responsibilities of the ARC with regard to its internal controls function shall include the following:</p> <p>(i) To provide oversight on the overall adequacy and effectiveness of the system of internal control including information technology controls to prevent data breaches and cybersecurity threats, the Company's financial, audit and accounting organisations and personnel and the Company's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and other consultants, where required and discussions with key senior management;</p> <p>(ii) To provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of the Group's businesses towards achievement of sustainability goals across the Group;</p> <p>(iii) To review the annual Statement on Risk Management and Internal Control and Sustainability Reporting to be published in the Company's Annual Report; and</p> <p>(iv) To review the employees' code of business practice, vendors' code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.</p> |
| 6. | Internal Audit | <p>6.1 The duties of the ARC with regard to its internal audit responsibilities include the following:</p> <p>(i) To mandate the internal audit department or internal audit service providers to report directly to the ARC;</p> <p>(ii) To review the adequacy of the scope, function, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;</p> |

| No. | Heading | Details |
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| | | <p>(iii) To review, challenge and approve:</p> <ul style="list-style-type: none"> (a) the Internal Audit Charter, which defines the purpose, authority, scope and responsibilities of the internal audit function within the Company; (b) internal audit annual budget; (c) audit plan and audit methodology; <p>to the extent applicable and ensure adequacy of scope, robustness in the audit planning process and sufficient resources in place to implement the audit plan independently and objectively, and that internal audit function has the necessary authority to carry out its work;</p> <p>(iv) To review internal audit reports, discuss major findings and deficiencies in internal controls and ensure that appropriate and prompt remedial action is taken by the management on lapses in internal controls or procedures that are identified by internal audit;</p> <p>(v) To review the results of internal and/or external assessments performed on the internal audit function;</p> <p>(vi) To review any difficulties encountered in the course of audit or compliance work, including any restrictions on the scope of activities or access to required information;</p> <p>(vii) To approve any appointment or termination of internal audit service provider or the Group Head Internal Auditor and his/her deputy, if any;</p> <p>(viii) To review and consult the Group CEO / Deputy Group CEO the remuneration package, annual increment as well as appraisal or assessment of performance of the Group Head Internal Auditor and his/her deputy and his/her staff;</p> <p>(ix) To take cognisance of resignations of Group Head Internal Auditor and his/her deputy and provide him/her an opportunity to submit his reasons for resigning;</p> <p>(x) To direct and review any special investigations to be carried out by internal audit as and when necessary and consider the major findings of the internal investigations and management's response as well as remedial actions taken by the management;</p> <p>(xi) To review the ARC Report to be published in the Company's Annual Report;</p> <p>(xii) To establish direct communication channels with the internal auditors and able to meet with the internal auditors without the presence of management; and</p> |

| No. | Heading | Details |
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| | | (xiii) To note disagreements between the Group Head Internal Auditor and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings. |
| 7. | External Audit | <p>7.1 The duties of the ARC with regard to its external audit responsibilities include the following:</p> <ul style="list-style-type: none"> (i) To 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; (ii) To monitor the effectiveness of the external auditors' performance and their independence and objectivity; (iii) To discuss with the external auditors before the audit commences, the nature and scope of the audit, the audit plan, and ensure co-ordination where more than one audit firm is involved; (iv) To review 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; (v) To 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); (vi) To provide a direct line of communication between the Board and the external auditors; (vii) To review the extent of assistance and co-operation extended by the Company's employees to the external auditors, including any difficulties or disputes with Management encountered during the audit; (viii) To review and monitor the provision of non-audit services by the external auditors. This includes reviewing and approving the appointment of external auditors for carrying out non-audit services, in line with Guidance 9.3 of the MCCG; (ix) To require Company's external auditors to submit on a periodic basis to the ARC a formal written statement delineating all relationships between the External Auditors and the Company, |

| No. | Heading | Details |
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| | | <p>consistent with International Standard on Auditing (ISA) 260, "Communication with Those Charged with Governance" modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are and have been, independent throughout the conduct of the audit engagement.</p> |
| 8. | Compliance | <p>8.1 The duties and responsibilities of the ARC with regard to its compliance function shall include the following:</p> <ul style="list-style-type: none"> (i) To review the adequacy of the processes and systems in place across the Company or Group to ensure compliance with all laws, regulations and rules established by all relevant regulatory bodies including without limitation the Registrar of Credit Reporting Agencies, Bank Negara Malaysia, the Malaysian Anti-Corruption Commission and the Competition Commission; (ii) To review all findings arising from any examinations by regulatory authorities; (iii) To obtain updates from the Management and the legal counsel regarding regulatory compliance matters; (iv) To review and consider 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; (v) To review the annual internal and external audit reports on matters relating to compliance; (vi) To assess the performance of the Head of Department on annual basis; and (vii) To consider any material breaches or exposure to breaches of regulatory requirements, including the Group's Anti-Bribery and Corruption Policy. |
| 9. | Related Party Transactions and Conflict of Interest | <p>9.1 To review any related party transactions and conflict of interest situations and where appropriate, make recommendations to the board for approval that such transactions are at arm's length and are in the best interest of the Company, including any transaction, procedure or course of conduct that raises questions of management integrity; and</p> <p>9.2 To review the process used to procure the shareholders' mandate for recurrent related party transactions.</p> |

| No. | Heading | Details |
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| 10. | Whistleblowing | <p>10.1 The ARC 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.</p> <p>10.2 The ARC 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.</p> |
| 11. | Other Responsibilities | <p>11.1 Review and assess the adequacy of this Terms of Reference (where necessary), with the assistance of Management, the external auditors and legal counsel.</p> <p>11.2 Perform any other duties as may be mutually agreed by the ARC and the Board from time to time.</p> |
| 12. | Authority and Powers of the ARC | <p>12.1 In carrying out its duties, the ARC shall, at the cost of the Company:</p> <ul style="list-style-type: none"> (i) Have authority to carry out its responsibilities and investigate any matter as set out herein and other matters that may be delegated by the Board from time to time; (ii) Have full, free and unrestricted access to the Group's documents, records, properties, personnel and other resources; (iii) Have full and unrestricted access to any information regarding the Company or Group; (iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function; (v) Be able to obtain independent, professional advice and to secure attendance of other third parties with relevant experience and expertise if it considers necessary; (vi) Convene meetings with the external auditors, person(s) carrying out the internal audit function any other professional advisors, excluding the attendance of the other Directors and employees of the Company, whenever deemed necessary; and (vii) Where the ARC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the ARC shall promptly report such matter to Bursa Securities. |

| No. | Heading | Details |
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| 13. | Membership | <p>13.1 The ARC shall comprise of at least three (3) Directors appointed by the Board, who are non-executive Directors and a majority of whom shall be Independent Directors. All members of the ARC shall be financially literate and at least one member shall:</p> <ul style="list-style-type: none"> (i) Be a member of the Malaysian Institute of Accountants; or (ii) If he/she is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and: <ul style="list-style-type: none"> (a) He/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or (b) He/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or (iii) Fulfills such other requirements as prescribed or approved by Bursa Securities. <p>13.2 The appointment terminates when a member ceases to be a Director. No alternate Director can be appointed as a member of the ARC.</p> <p>13.3 If a former key audit partner is recommended for appointment as a member, he/she must observe a cooling-off period of at least three (3) years before his/her appointment.</p> <p>13.4 All members of the ARC shall be financially literate and are able to understand matters under the purview of the ARC. ARC members are highly recommended to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, such as:</p> <ul style="list-style-type: none"> (i) Cybersecurity; (ii) Environment, social and governance (“ESG”) aspects; and (iii) Regulatory compliance. <p>13.5 Members of the ARC shall elect one of its members who is an Independent Director as Chairman. The Chairman of the ARC should not be the Chairman of the Board.</p> <p>13.6 If a member of the ARC retires, re-designates, resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board and the members of the ARC shall, within three (3) months appoint such number of new members as</p> |

| No. | Heading | Details |
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| | | <p>may be required to make up the minimum of three (3) members.</p> |
| 14. | Meetings | <p>14.1 The ARC shall meet at least four (4) times a year and at such other times as the Chairman shall decide. Additional meetings may be held as and when required or upon the request of the External Auditors to consider matters that the External Auditors believe should be brought to the attention of the Directors and/or shareholders;</p> <p>14.2 The quorum for an ARC meeting shall be at least two (2) members, one of whom shall be a member of the Malaysian Institute of Accountants (“MIA”), and the majority of whom shall be independent Director. In the absence of the Chairman, any member of the ARC who is a member of the MIA shall chair the meeting.</p> <p>14.3 The notice of ARC meetings and meeting materials shall be circulated at least seven (7) days before each meeting to members of the ARC. Notice of meetings shall be given in writing and shall be served to the ARC either personally or by email, fax, post or courier to the address provided by the ARC member. Additionally:</p> <ul style="list-style-type: none"> (i) If circumstances warrant a special ARC meeting to be held, a shorter notice is allowed to be circulated to members of the ARC, with the consent of the ARC members; and (ii) If circumstances require meeting materials to be circulated less than (7) days before each meeting, such circulation will require the approval of the Chairman; <p>14.4 The ARC meetings may be held at two (2) or more venues within or outside Malaysia using any technology that enables the ARC members to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all ARC members prior to or at the meeting. The ARC members shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly;</p> <p>14.5 Each member of the ARC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the ARC. In the event of an equality of votes, the Chairman of the ARC shall be entitled to a second or casting vote;</p> <p>14.6 An ARC member shall excuse himself/herself from the meeting during discussion or deliberations of any matter</p> |

| No. | Heading | Details |
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| | | <p>which gives rise to an actual or perceived conflict of interest situation for the ARC member;</p> <p>14.7 The external auditors shall appear before the ARC when required to do so;</p> <p>14.8 The Group Chief Executive Officer / Chief Executive Officer and the Chief Financial Officer have to attend ARC meetings to assist in the deliberations and resolution of matters raised;</p> <p>14.9 The relevant Heads of Department, risk management and internal audit function of the Company shall attend the meetings to assist in the deliberations and resolution of matters raised, when required. However, at least once a year, the ARC shall meet with either the internal auditors or external auditors without the presence of management;</p> <p>14.10 The Company Secretary shall act as Secretary of the ARC and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentations to members prior to each meeting;</p> <p>14.11 The Secretary of the ARC shall be entrusted to record all proceedings and minutes of all meetings of the ARC;</p> <p>14.12 In addition to the availability of detailed ARC meeting minutes to all Board members, the ARC shall also present a summary report of significant matters at each Board meeting; and</p> <p>14.13 The ARC may request other Board members and any other officer or employee to attend an ARC meeting to assist in the deliberation and resolution of matters raised.</p> |
| 15. | Written Resolution | <p>15.1 The ARC may deal with matters by way of written resolution. A resolution in writing signed by all members of the ARC, shall be as valid and effectual as if it had been passed by a meeting of the ARC duly called and constituted. The decision shall be presented at the next subsequent ARC meeting, for noting and minutes. The written resolution by electronic means allowed under the Constitution of the Company shall apply to the written resolution of the ARC.</p> |

| No. | Heading | Details |
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| 16. | Annual Review and Evaluation | 16.1 The ARC shall review and re-assess the adequacy of the terms of reference of ARC on a periodic basis, and where necessary obtain the assistance of management, the Company's external auditors and external legal counsels, and recommend the proposed changes to the Board for approval. |
| 17. | Miscellaneous | <p>17.1 Where the ARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the ARC has the responsibility to promptly report such matter to Bursa Securities.</p> <p>17.2 The term of office and performance of the ARC and each of the members shall be reviewed by the Nomination and Remuneration Committee for recommendation to the Board annually to determine whether the ARC and its members have carried out their duties in accordance with this TOR.</p> <p>17.3 The provisions under this TOR have been drafted in a manner to also incorporate the provisions under the MMLR and other statutes, regulations and guidelines applicable to the ARC. In the event the applicable provisions of the MMLR and/or relevant governing statutes, regulations and guidelines relating to ARC are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this TOR shall be read and construed subject to and in accordance with the amended, modified or varied MMLR, statutes, regulations and guidelines.</p> |

This document was last updated on 21 January 2022.

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