PUC BERHAD
(Registration No.: 199701036234 (451734 A))
Incorporated in Malaysia

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

Constitution

The Audit Committee was formed pursuant to a resolution passed by the Board of Directors ("Board") of PUC Berhad ("Company") on 27 February 2002. Subsequently, it was renamed as Audit and Risk Management Committee ("ARMC" or "Committee") to include risk management with effect from 23 May 2018.

Objective

The objective of the ARMC is to assist the Board in reviewing the accounting, internal control and risk management systems, the financial reporting standards and procedures, the audit process and compliance with the ACE Market Listing Requirements ("Listing Requirements").

Authority

The Committee is authorised by the Board to investigate any matter within its Terms of Reference and shall have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties. The Committee is also authorised by the Board to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend its meetings, if necessary. The Audit and Risk Management Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

Membership

The Board from among its members shall appoint the ARMC that fulfils the following requirements:-

1. Must be composed of no fewer than 3 members.

2. All members must be Non-Executive Directors, with a majority of them being Independent Directors.

3. At least one member complies with Rule 15.09(1)(c) of the Listing Requirements, i.e.

(i) must be a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and –

(aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

(bb) he 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) fulfils such other requirements as prescribed or approved by the Exchange.

4. The Chairman of the Board should not be a member of ARMC.

5. No alternate director is appointed as a member of the ARMC.

6. The chairman of ARMC must be elected among ARMC members and should be an Independent Director.

7. A former key audit partner should observe a cooling-off period of at least three years before being appointed as a member of the ARMC.

8. 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 below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

Duties and Responsibilities

The duties and responsibilities of the ARMC shall be the following and report the same to the Board:-

1. To recommend the nomination of a person or persons as external auditors and review any letter of resignation and reasons from external auditors;

2. To review with the external auditors, the audit plan and the audit report;

3. To review whether there is a reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;

4. To assess the suitability, objectivity and independence of the external auditors giving regard to the auditors' resources and expertise;

5. To review with the external auditors, his evaluation of the system of internal controls and risk management;

6. To review the assistance given by the employees of the Company to the external auditors and internal auditors;

7. To review the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

8. To review the internal audit plan programme, processes, the results of the internal audit assessments and whether or not appropriate action is taken on the recommendations of the internal auditors;

9. To review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:

    a. changes in or implementation of major accounting policy changes;

    b. significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and

    c. compliance with accounting standards and other legal requirements;

10. To review any related party transaction, conflict of interests ("COI") and potential COI situation that arises, persists or may arise within PUC or its group of companies including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts;

11. To verify the allocation of options pursuant to the Share Issuance Scheme to ensure it is compliance with the criteria for allocation; and

12. Risk management

    i) To review and recommend to the Board, the risk management policies and strategies framework together with the system of internal controls;

    ii) To evaluate the risk profile and risk tolerance of the Company and Group;

    iii) To review the adequacy and effectiveness of the Group's risk management policies and framework, to identify key risks and the systems to monitor and manage these risks;

    iv) To review the Enterprise Risk Management systems;

    v) To review sustainability risks; and

    vi) To conduct an annual review and/or periodic testing of the Company's framework of internal controls and risk management.

Meetings

Meetings shall be held at least 4 times in a year to review the quarterly results and when the ARMC deems necessary.

A minimum of two members present shall form a quorum, the majority of members present shall be Independent Non-Executive Directors. In the event that the Chairman is unable to attend a meeting, a member of the ARMC shall be nominated as Chairman of the meeting. The nominated Chairman shall be an Independent Director.

The Committee may invite other directors, employees, advisers or solicitors to the meeting to brief the ARMC on the respective relevant issues.

These Terms of Reference were reviewed by the Board on 23 November 2023 and are made available for reference on the Company's website, www.puc.com.